





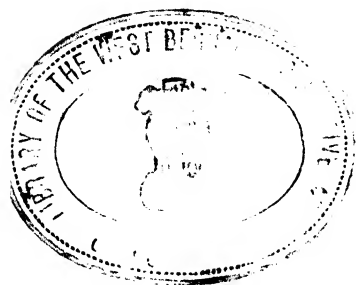








# New Zealand



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# NEW ZEALAND

*By*

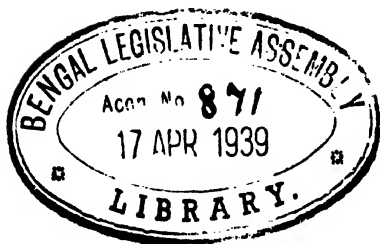
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*With a Foreword by*

**H. A. L. FISHER**

P.C., D.C.L.



London  
**Ernest Benn Limited**

1935

**PRINTED IN GREAT BRITAIN**

**TO  
MY FATHER AND MOTHER  
IN NEW ZEALAND**



## FOREWORD

NEW ZEALAND is a very recent recruit to the company of modern nations. Not until 1925, as Mr. Morrell informs us in his wise and instructive volume, did a New Zealander born become Prime Minister of the country. Seddon was an emigrant from Lancashire, Massey an emigrant from Ulster. The population was almost wholly Anglo-Saxon and bound by innumerable personal ties to the Mother Country. At almost any period of the nineteenth century it might have been truer, in Seeley's phrase, to describe the New Zealanders as a society of "Englishmen living overseas" rather than as the members of a separate nation. In an excellent passage Mr. Morrell explains the close analogies which may be traced between New Zealand and Great Britain :

"From the geographical and climatic point of view New Zealand's position and Great Britain's have many similarities. The same food can be eaten ; the same clothing can be worn ; the same birds and animals can be successfully acclimatized ; the same games can be played. The conservatism which makes most men and women transplant what they can to a new environment has helped in these circumstances to develop similar ways of life. If the New Zealander, even the New Zealander born, thinks and speaks of Great Britain as 'home' it is very largely because he knows Great Britain to be the home of his own way of living. If we see eye to eye so much with Great Britain in Imperial matters, it is partly because we are not only the youngest of the daughter countries but also the daughter that takes most after her mother. Yet a word of caution is necessary : as always in such cases, first acquaintance sees the



family resemblance, but longer and fuller knowledge brings out the traits of difference. New Zealand's immigrants have not been drawn in equal proportions from all sections of English society: the aristocrat, the country gentleman, the artist or "intellectual" have not wished, the sections living more or less permanently below the poverty line have not been able, to emigrate, and these elements in English society give it not a little of its special character. With a less complicated structure in the beginning and little time or reason for developing new complexities, New Zealand has tended to reproduce the way of life not so much of English (or Scottish) society as of one part of that society—the less well-to-do and the less 'intellectual' sections of the middle classes, the better paid and better housed sections of the working classes. In its more prosperous days New Zealand has not been, as some observers thought it, the paradise of the working man but rather the paradise of the *petit bourgeois*. And the New Zealander, in spite of his affection for the people and the institutions of Great Britain, is too much apt to judge her policy by the standards of a simpler, more homogeneous, more democratic, more isolated society. Nevertheless in some ways the contrasts in social life may diminish as Great Britain becomes more democratic socially and New Zealand loses some of the crudeness of a pioneering community."

By a curious paradox this people which more than any other body of British emigrants or descendants of British emigrants still retains the characteristics of the Old Country, has come to feel itself a separate nation by reason of the very circumstances which have called upon it to play a part in the general life of the British Empire. Mr. Morrell has traced the important effect exercised on opinion in New Zealand first by the participation of New Zealand contingents in the Boer War, and still more powerfully by the

brilliant rôle which the Dominion played in the far greater struggle with the Central Powers. If, as seems probable, the next few decades will witness an ever closer association between the free and equal communities which now constitute the British Commonwealth of Nations, the moral preparation for this closer union will nowhere be more complete than in New Zealand.

H. A. L. FISHER



## PREFACE

To attempt an interpretation of the history and life of one's own country is a difficult, not to say invidious, task. I have sought to interpret the history of New Zealand as the growth of a nation : so far as I know, the history has never before been written from quite this angle, and I have therefore aimed at a middle course between a mere sketch and a detailed history. In interpreting the life of the country as it is to-day, a colourless impartiality, if possible, would I think hardly be desirable, but I have sought to be objective, though I do not know with what success. In writing such a book it is necessary to run the gauntlet of all the experts on the various aspects of New Zealand life. I do not set up to be an expert myself : I write simply as a New Zealander, distant from New Zealand but deeply rooted in it still and interested in its problems and its life, for New Zealanders and others who share that interest. If any success has been attained, it will be due to the generous help that experts in various fields have given me during my visit to New Zealand in 1933 and since my return. I thank them all ; and more particularly I should like to thank the Hon. W. Downie Stewart, M.P.; Sir William Hunt ; Mr. James Begg ; Mr. G. W. Reid ; Mr. Peter Fraser, M.P. ; Mr. J. Thorn ; Professor H. Belshaw ; and Professor A. G. B. Fisher. Several gentlemen have most generously let me read and use unpublished work—Dr. J. D. Salmond his *History of the New Zealand Labour Movement to the Conciliation and Arbitration Act*, Mr. J. E. F. Jenks his *Evolution of Modern Land Settlement Policy in Australia and New Zealand*, Mr. L. C. Webb his *Rise of the Reform Party*, Dr. R. O.

Buchanan his *Pastoral Industries of New Zealand : a Study in Economic Geography*, from which he kindly allowed me to borrow two maps, Dr. G. C. Billing his thesis on *Some Aspects of Protection and its Relation to Economic Development in New Zealand*, Mr. H. C. D. Somerset his description of *An Experiment in Rural Education*, Mr. E. H. McCormick his *History of New Zealand Literature*, and Mr. F. B. Stephens his contributions to a co-operative volume in preparation on *Land Utilization in New Zealand*. My indebtedness to Dr. J. B. Condliffe's study, *New Zealand in the Making* (London, Allen & Unwin, 1930) is so great as to require special mention ; and I am also much indebted to the New Zealand Government for the valuable statistical and other information it puts at the disposal of all inquirers in its Official Year Book and other publications, and to two of its servants, Mr. C. B. Burdekin, Librarian, and Mr. A. R. F. Mackay, Finance Officer and Accountant, in the Office of the High Commissioner in London, who have answered innumerable inquiries and gone to a great deal of trouble on my account. My chapter on farming has benefited greatly from the criticisms of Mr. F. B. Stephens and my chapter on the Maori from those of Dr. Raymond Firth. Naturally I take responsibility for all the opinions expressed on New Zealand matters ; and I do so likewise for the opinions on general economic questions, though I recognize that they owe a great deal to many discussions with my friend Mr. J. R. Hicks. I am obliged to the Librarian of the Royal Empire Society and his staff for their courteous service, and to Mrs. M. H. Potter for her kind assistance with the index. Nor must I omit to thank the Principal and Governors of Birkbeck College for the leave which enabled me to revisit New Zealand.

W.P.M.

# CONTENTS

## PART I.

### THE GROWTH OF THE NATION

CHAP.		PAGE
	FOREWORD . . . . .	vii
	PREFACE . . . . .	xi
I.	THE ESTABLISHMENT OF BRITISH SOVEREIGNTY . . . . .	3
II.	THE FIRST SETTLEMENTS AND THE ATTAINMENT OF SELF-GOVERNMENT .	17
III.	DEVELOPMENT AND WAR . . . . .	33
IV.	THE PUBLIC WORKS POLICY AND THE REACTION . . . . .	51
V.	THE AGE OF LIBERALISM . . . . .	69
VI.	THE RIPENING OF NATIONALITY . . . . .	95

## PART II.

### THE LIFE OF THE NATION

VII.	FARMING . . . . .	117
VIII.	SECONDARY INDUSTRIES . . . . .	157
IX.	LABOUR AND UNEMPLOYMENT . . . . .	178
X.	FINANCIAL POLICY . . . . .	192
XI.	POLITICS AND ADMINISTRATION . . . . .	215
XII.	THE STATE IN ECONOMIC AND SOCIAL LIFE	240
XIII.	RELIGION: EDUCATION: CULTURAL LIFE	268
XIV.	THE PLACE OF THE MAORI IN THE NATIONAL LIFE . . . . .	299

## *Contents*

XV. NEW ZEALAND IN IMPERIAL AND WORLD	
AFFAIRS . . . . .	327
BIBLIOGRAPHICAL NOTE . . . . .	362
INDEX . . . . .	367

### MAPS

SHEEP DISTRIBUTION, 1925-29 . . . . .	<i>facing p. 122</i>
DAIRY CATTLE DISTRIBUTION, 1925-29 . . . . .	<i>„ 128</i>
NEW ZEALAND . . . . .	<i>facing p. 366</i>
SOUTH PACIFIC OCEAN . . . . .	<i>at end</i>

**PART I**  
**THE GROWTH OF THE NATION**





## CHAPTER I

### THE ESTABLISHMENT OF BRITISH SOVEREIGNTY

THE governing factor in the history of New Zealand has been its geographical isolation. The nearest land mass, Australia, is at a distance of one thousand miles or so ; the nearest Pacific islands of any importance are at an equal distance. Far more remote, of course, are the great cultural centres of the world in Europe, Asia, and America. Australia, until the arrival of Europeans, was inhabited by an extremely primitive race : it was from the islands of the Pacific that the first inhabitants of New Zealand came. The date of arrival of the Maori cannot be precisely determined, but it was not a very early one in the annals of the human race. Apparently the main immigration was between the years 1250 and 1350 A.D. The Maori were in the neolithic stage of development, and their culture was of the Polynesian type ; their growth was hampered by the problem of food supply, and when they first came into contact with the civilization of Europe, their numbers were probably less than 100,000 and they had entirely lost touch with the Polynesian islands whence they had come. For all their intelligence, artistic gifts, and fighting power they did not develop much political cohesion—perhaps because they had no external contacts ; and they were unable permanently to hold their ground against the European invasion.

A corner of the mantle of obscurity that shrouded New Zealand from the eyes of the West was lifted

*Author's Note.* The word *Maori* is of two syllables, *ao* being a diphthong. Strictly speaking it should not be inflected, though in popular usage it is given an *s* in the plural.

by the Dutchman, Abel Janssen Tasman, in 1642. Tasman sailed on the instructions of the Governor-General of the Dutch East Indies, Anthony van Diemen, and his Council. In the course of the previous fifty years the Dutch had ousted the Portuguese and become the predominant power in the Spice Islands and the Malay Archipelago generally: their ships had already encountered the western coast of Australia, and it was only natural that an enterprising and ambitious Governor-General should aim at completing this discovery and making a general survey of the South Pacific region. Geographers ever since classical times had been inclined to believe that a continent comparable in size to the land masses of the northern hemisphere lay concealed therein. "It may confidently be expected," wrote van Diemen and his Council, "that the expense and trouble that must be bestowed in the eventual discovery of so large a portion of the world will be rewarded with certain fruits of material profit and immortal fame." Tasman was to take possession on behalf of the States-General of all continents and islands he might discover. First he lighted upon Tasmania: then on December 13th he descried the west coast of the South Island of New Zealand, and five days later he anchored in what is now known as Golden Bay. The Dutch had their opportunity.

But New Zealand was not for the Dutch. A boat's crew passing from one ship to the other was massacred by the natives; and Tasman did not venture to land. He sailed north to Cape Maria van Diemen and then left New Zealand behind, thinking he had discovered a projecting part of the unknown Southern Continent. Van Diemen intended to follow up this voyage, but he died in 1645 and it was not followed up. Tasman had brought back much geographical information; but the expense and trouble of his discovery had not been compensated by any material profit. The Directors of the Dutch Company in

Amsterdam, moreover, came to the conclusion—in which history has justified them—that in the lands in the Indian Ocean already under their influence they had enough to occupy the energies of their nation. Further ambitious exploration would merely be pulling chestnuts out of the fire for other more populous nations. So on second thoughts they left New Zealand alone.

The effective discovery of New Zealand was thus left to the eighteenth century—a century of constant rivalry between the English and the French. In both England and France the educated public showed interest in the South Seas from the War of the Spanish Succession onward ; and the most important contribution to the discussion was made by a Frenchman, de Brosse. De Brosse, however, wrote before the Seven Years' War had given Great Britain mastery of the oceans ; after the war the advantage in any enterprises in the Pacific, if she cared to use it, lay with Great Britain. The primary object of Cook's voyage in 1769 was, as is well known, to observe the transit of Venus at the recently discovered island of Tahiti ; but he was also instructed to sail to the unknown coast of New Zealand, and to search for the continent of the geographers, cultivating the friendship of its inhabitants and annexing convenient trading posts in the name of the king. Cook found no continent, but on October 7th, 1769, he sighted New Zealand ; and before he sailed away at the end of March 1770 he had explored the coastline, leaving remarkably few errors for his successors to correct, gained some acquaintance with the mode of life of the natives, taken possession of the country for King George III, and convinced himself of its suitability for colonization. Cook's second and third voyages were designed to solve the other problems of the Pacific, South and North ; and after them there was no imaginary continent to distract the attention of men of science and of statesmen. On the other hand it was established

that New Zealand, even if it afforded nothing else of immediate use to the world, offered several harbours of refuge for shipping. Two of these—Dusky Bay in the extreme south-west of the South Island and Queen Charlotte Sound in Cook Strait—had already been accurately charted.

In point of time the French were not far behind Cook. They had heard favourable reports of Tahiti, and de Surville, setting out from India on a voyage in that direction, made for Tasman's New Zealand in the interests of the health of his crew. His visit was short, from December 12th to 31st, 1769, but in the course of it he must have passed within a few miles of Cook's ship. In 1771 another Frenchman, Marion Dufresne, inspired chiefly by scientific curiosity, set out from Mauritius on a voyage which brought him to New Zealand, where he and several of his men fell victims to the Maori on June 12th–13th, 1772. Crozet, his successor in the command, took possession of New Zealand before he sailed away. Thus although no Frenchman had done a tithe of what Cook had done to make New Zealand known, England was in danger of losing her advantage if she neglected Cook's discovery as the Dutch had neglected Tasman's. At first her attention was absorbed by the War of American Independence. It was not until after the war that the British Government—mainly on the advice of Cook's companion, Joseph Banks—took the decisive step of establishing a penal colony in New South Wales. Once the British flag had been firmly planted there, in 1788, it was morally certain that New Zealand was destined to fall to Great Britain, unless indeed Great Britain lost supremacy at sea.

It was morally certain because New Zealand had come within the orbit of British traders. The plans for the foundation of New South Wales mentioned the possibility of trade with New Zealand in timber and in the native flax, *phormium tenax*; and it was soon discovered that the whale and the fur-seal were

to be found in the New Zealand seas. Whale-oil and sealskins were commodities that could readily find a market ; the tall, straight trees of the New Zealand forests seemed eminently suited for masts and spars, the flax for the making of canvas and cordage. The first cargo of sealskins in 1792-3, and the first regular cargo of timber in 1794-5, were destined for the East, because the East India Company had a monopoly of trade, by Act of Parliament, in, to, and from all places between the Cape of Good Hope and the Straits of Magellan. It was not until 1801 that effective freedom of trade in Australian and New Zealand waters was secured from the Company. Little had been lost, in any case ; for New South Wales required time to consolidate itself, whilst on the other hand the French were taken up with the Revolutionary Wars. In the first decade of the nineteenth century, however, a regular trade between New South Wales and New Zealand was in operation, in spite of various vicissitudes. The results of the timber trade were somewhat disappointing, partly perhaps because traders had not yet learnt the relative value of different species of New Zealand timber. But whaling went on in New Zealand waters from 1798, and in 1802 a New England whaler—the first of a fleet which ere long outnumbered the British—appeared. Whatever the localities of their actual whaling, South Pacific whalers increasingly tended to make the Bay of Islands in the extreme north of New Zealand a port of call. The Sydney firms which had been exploiting the islands of Bass Strait as sealing grounds began to turn their attention to New Zealand about 1803 ; and in their case it was the southern coasts and the islands to the south that proved to be a profitable field of operations.

The indirect consequences of this economic activity were perhaps more important than the direct consequences. The methods of the sealers were so crude that within a very few years the supply of seals

was almost exhausted; the whalers were mere birds of passage; the timber trade was still in the experimental stage, and the trade in flax had advanced no farther, if as far. On the other hand contact with the Maori had inevitably become closer. As Pember Reeves says, they were far too intelligent to stay in the Stone Age a day after the use of metals had been pointed out to them. They were almost ludicrously anxious to obtain axes, adzes, hoes, iron in any shape or form; for this they would offer in exchange dressed flax, potatoes and other foodstuffs, weapons, mats and ornaments of all kinds. They were anxious to see the lands from which the white man came; some were carried off to Norfolk Island in 1793 to give instruction in the dressing of flax, and when King, who was then Commandant of Norfolk Island, became Governor of New South Wales he took a personal interest in the fortunes of Maori who visited Sydney or served aboard whaling and sealing vessels, and sought to safeguard them against ill-treatment. An even warmer interest in them was taken by Samuel Marsden, the principal chaplain of New South Wales. He made it the great object of his life to establish a Church of England mission in New Zealand. Well knowing that the contact of Maori and European would bring many evils in its train, he determined that the Maori should also be brought into touch with the Christian doctrine and the Christian life.

Opinion in Great Britain, crude though its conception of its duty may have been, was at any rate convinced as never before that the nation had a duty to perform to the native races with whom it might come in contact; and when Marsden visited England in 1807 he found the Church Missionary Society favourably disposed towards his project. Marsden's plans were interrupted by the massacre of the crew of the *Boyd* at Whangaroa in December 1809; and it was not until 1814 that the waiting missionaries were able to proceed to New Zealand. Marsden went with them

to inaugurate the mission. He had convinced the chief Ruatara and others of his *bona fides* and had no difficulty in purchasing, from Ruatara's uncle Hongi, a station for a mission at the Bay of Islands. There he left three missionaries—none of them as yet an ordained clergyman—and twenty-five Europeans in all. Governor Macquarie had hinted at the possibility of a Government establishment in New Zealand; one of the missionaries, Kendall, was made a justice of the peace, and Macquarie issued a proclamation requiring all British vessels to give security against interference with the Maori. But the British Government made no move; and it was difficult to put the proclamation into effect. Nevertheless the missionary settlement was the strongest link that had yet been forged in the chain binding New Zealand to Britain.

The 1820's were a decade of instability in New Zealand. The ambitious Hongi visited England in company with Kendall, and was received by King George IV. Whilst there he was given many presents, which he exchanged on his return to Sydney for muskets, powder, and ball. In 1821-3, in one expedition after another, he used his military superiority to the full and established his supremacy as far south as Waikato and Rotorua. But in spite of this and of the progress of agriculture at the Bay of Islands, his tribe, the Ngapuhi, were not numerous enough to enable him to realize what was probably his ambition and become king of New Zealand. These events gave an unhealthy stimulus to trade, for the other tribes, realizing that without muskets they were in danger of extermination, moved heaven and earth to get them: at one time, according to Maning, the price of a musket was a ton of cleaned flax, every morsel of it scraped by the Maori by hand with a shell, less than a quarter of an ounce at a time. "While undergoing this immense extra toil," he adds, "they were at the same time obliged to maintain themselves by cultivating the ground



with sharpened sticks, not being able to afford to purchase iron implements in any quantity, till first the great, pressing, paramount want of muskets and gunpowder had been supplied."<sup>1</sup> Not only did the wars mean massacre and hardship to the tribes: they could not but discourage the missionaries in their preaching of the gospel of peace. Marsden did his best to persuade Hongi that in the long run farming would pay better than fighting, but not with much success. Moreover the mission itself was not running smoothly, and Marsden's efforts to prevent individual trading, and especially trading in muskets and powder, were ineffectual. On his fourth visit in 1823 he found it necessary to take severe disciplinary measures. The arrival of Henry Williams in the same year, however, supplied one of the greatest wants of the mission—an able and single-minded leader on the spot. In 1827 the Wesleyan mission, established five years before, was plundered by the Maori in the course of a trivial dispute; but the storm quickly passed and the work was resumed, though not in the same place. In 1828 Hongi died of a wound, and enjoined his successors on no account to let the missionaries leave New Zealand. Whilst the missionaries were passing through these trials, schemes of colonization were in the air in England—the great speculative boom of the 'twenties being no doubt the prime cause. Two of these reached the stage of execution: the first New Zealand Company sent out a shipload of some fifty mechanics, and the sealing captain, William Stewart, resuming an old project of a Sydney trading group, established a tiny settlement on Stewart Island to cultivate flax and procure timber. But, with the exception of a few who settled at the Bay of Islands, the Company's mechanics were too terrified at the aspect of the Maori to remain in New Zealand; and Stewart's venture soon failed. The official view was that New Zealand was not a British possession, and for the

<sup>1</sup>On Maning, see below, page 291.

time being no one—certainly not the British Government—was particularly anxious to make it one.

In the next decade, however, events moved with increasing momentum towards that conclusion. Trade with the Maori flourished; and the tribes developed the habit of inducing a white man—a Pakeha Maori, as he was called—to live with them and act for them in business matters. At Kororareka on the Bay of Islands—the chief trading centre and the whalers' favourite port of call—there were said to be as many as a thousand whites living. Some of these were respectable settlers; some were connected with the mission; but the majority were low-living sailors or traders. "The Maori chiefs," in Reeves's expressive words, "shared their orgies, pandered to their vices, and grew rich thereby." In October 1831 the Maori chiefs, who had in earlier years been apprehensive lest British soldiers should come and take their country from them, are nevertheless found petitioning for British protection. Marsden's view was that a small man-of-war should be stationed on the coast. The shameful action of a whaling captain in Cook Strait, who took a Maori war party in his ship to make a surprise attack upon another tribe, led the British Government to take action, though of another kind. In May 1833 James Busby arrived at the Bay of Islands to take up the post of British Resident. But he had no power to arrest except on a warrant of the Supreme Court of New South Wales; in the words of the Maori saying, he was "a man of war without guns." He attempted to strengthen the cohesion of the Maori by forming a "Confederation of the United Tribes of New Zealand," but it existed only on paper.

Meanwhile the merchants of Sydney and Hobart had taken the lead in a new economic activity. It was discovered that the black or right whale visited the bays of the New Zealand coast to calve in the winter months. About 1830 shore parties, with or without a ship, began to be left in the bays to catch

the whales near harbour—first at Cloudy Bay (Queen Charlotte Sound), later at many other places, in the south particularly. Land was purchased from the neighbouring chiefs, and boiling-down works, huts, stores, and jetties were built. One Sydney merchant especially, “Johnny” Jones, had no fewer than seven of these whaling establishments by 1839, and employed 280 men. Sealing gangs had often been left ashore at the height of the trade, thirty years before, but the new operations were on a much more elaborate scale, and for that very reason tended to pass into actual settlement. The whaling crews took Maori wives and regarded the stations as something more than ports of call. Farmers came over to grow stock and other supplies for the whalers. Johnny Jones sent cattle and, in 1840, agricultural settlers to one of his stations, Waikouaiti, where he soon afterwards settled himself. There were some signs that the whaling was being overdone, but it had been a useful transition stage to colonization.

In 1834 American, and in 1836 French, vessels began to appear in the whaling bays. The American ships were the more numerous, and more than once apparently a whaling fleet brought back to the United States oil to the value of over £100,000. There was now an American consul at the Bay of Islands, and in 1838 Congress sent an exploring and surveying expedition to the Southern Seas, though New Zealand was not visited. The French were more active politically, perhaps because they had taken a more continuous interest in New Zealand. A French whaling captain, Langlois, did as Johnny Jones had done and purchased land for settlement in 1838 from the Maori of Banks Peninsula. A French corvette was in New Zealand waters in the same year; and, quite independently, a French Roman Catholic Bishop, Pompallier, arrived to establish a mission in the north, where there was already a well-known French settler, Baron de Thierry. The French Government had not yet committed itself, but the

Press, particularly the *Journal du Havre*, urged it to be on the alert against English designs on New Zealand, to recognize the independence of the Maori and to send a consul to reside with them. When Langlois arrived in France the Nanto-Bordelaise Company was formed to follow up his land purchase, and in March 1840 a shipload of French colonists left for Akaroa, with a promise of support from Louis Philippe's Government.

By that time, however, the fate of New Zealand had been decided once and for all. Colonization of an unsatisfactory, haphazard character had long been in progress. Gibbon Wakefield, the enthusiast who exercised such a dominating influence upon the colonizing movement in Great Britain in the 1830's, determined that the islands should become the scene of experiments in colonization upon a more systematic plan and with more carefully selected material. Under his inspiration the New Zealand Association was formed in 1837; and its committee, which included Lord Durham, who had been connected with the Company of 1825, and several members of Parliament, began negotiations with the Government for an Act of Parliament authorizing it to found a colony on the principles in which Wakefield believed. Land, that is to say, was to be sold at a price sufficient to prevent labourers from buying it before they could command the capital or labour to work it; the proceeds of land sales were to be devoted to the immigration of selected labourers. The Government were not satisfied of the measures to be taken for the security of the colonists and the preservation of the rights of the natives; and objected to a proposal for independence of Colonial Office control. When a Bill was introduced into the House of Commons by the Chairman of the Association in 1838, it was rejected. But the idea was not abandoned.

Behind the Government in its opposition stood the Church Missionary Society and its secretary, Dandeson Coates. The mission, under Williams's vigorous leader-

ship, was now making steady progress. In the schools, on which their chief effort was concentrated, the missionaries had many scholars who had been enslaved in Hongi's wars and who became enthusiastic propagandists when in due course they were liberated and returned to their distant homes. The liberation of slaves and the decline in cannibalistic practices testified to the influence of the missionaries with the Maori ; so too, indeed, did the comparative security which, in spite of occasional bloodshed, British traders had enjoyed. In 1834 Williams embarked on a definite policy of expansion ; and at the same time the Wesleyans were extending their operations down the west coast. In England a great campaign was being waged on behalf of missionary and humanitarian principles in the treatment of backward races. The abolition of slavery by Act of Parliament in 1833 had been followed by the appointment of a Select Committee in 1835-7 to consider the treatment of aborigines in British settlements ; and its report had among other things passed severe strictures on the conduct of the Cape colonists and Government in the recent Kaffir War. The view of the Church Missionary Society was that the establishment of a British colony in New Zealand would nullify the work of the mission and inevitably bring natives and colonists into collision, with the worst results for both.

The real answer to this argument was that colonization was going to proceed in any case ; and if so, the best security against racial war was colonization of a regular character supported by an impartial Government. As a matter of fact the Colonial Office and its powerful permanent head, James Stephen, had already come to the conclusion that New Zealand must become a British colony ; but with the amiable but indolent Glenelg as Colonial Secretary action of any kind was at a discount. That there should be action, and speedy action, however Gibbon Wakefield and the New Zealand Company

(the old New Zealand Association had metamorphosed itself into a joint-stock company) were resolved; and, despairing of the collaboration of Government, they sent out their Principal Agent without its sanction to purchase land and prepare for the arrival of settlers. He left by the *Tory* on May 5th, 1839. This had the desired effect of forcing the hand of Government. Captain Hobson, a naval officer who had already visited New Zealand, was appointed British Consul to treat with the Maori tribes for the cession of the country, or such parts of it as they might be willing to cede to the Crown, and he sailed for New Zealand on August 25th.

A heavy responsibility lay upon the missionaries. Their influence upon the Maori was not approached by any other body of men. Many of the traders had sought to undermine it by insinuations that they too had designs upon the Maori lands, but in vain. Now they were faced with the decision as to whether or not they should lend their aid to the establishment of British sovereignty, which some of them at least had been inclined to deprecate. Marsden before his death, however, had become convinced that "some civilized government must take New Zealand under its protection"; and in the instructions to Hobson it was assumed that he would be able to gain the support of the missionaries, to whom he was personally known. The assumption was justified. It was Henry Williams himself who interpreted to the chiefs the provisions of the treaty which Hobson laid before them and the speech in which he asked for its acceptance. By the treaty, which was signed at Waitangi on February 6th, 1840, by forty-six chiefs and later by many chiefs in other parts of the islands, the Maori were guaranteed full, exclusive and undisturbed possession of lands occupied and enjoyed by them, and a right of pre-emption was reserved to the Crown. In the case of the South Island and Stewart Island, both very sparsely inhabited, Hobson took the additional precaution of

asserting British sovereignty on the ground of discovery. It may be presumed that the missionaries were convinced that circumstances had made the assumption of sovereignty by Great Britain essential, and that the Treaty of Waitangi granted the Maori all that it was possible to assure to them.

Thus Great Britain had acquired New Zealand in order to be able to keep the peace between the Maori and the incoming British colonists. New South Wales had been annexed soon after its discovery by Cook ; and the annexation had been followed by an extension of economic activity to New Zealand. In that economic activity, thanks to the comparative contiguity of New South Wales, British subjects, despite the intrusion of French and Americans, had maintained the foremost place. It necessarily brought with it increasing contact with the Maori ; but there was a powerful element in the British nation, primarily represented by the missionary societies but influential in the counsels of Governments, which was conscious of its responsibilities, determined that the contact of the races should not lead merely to bloodshed and degradation, and willing in the last resort to intervene effectively to secure its ends. It has often been said that Gibbon Wakefield made New Zealand a British colony ; but he rather hastened than caused British intervention, though in so doing he averted a possible international complication with France. It was however Gibbon Wakefield, more than any other individual, who determined what sort of British colony New Zealand was to be.

## CHAPTER II

### THE FIRST SETTLEMENTS AND THE ATTAINMENT OF SELF-GOVERNMENT

As an experiment in systematic colonization, Wakefield's New Zealand schemes were only partially successful: complete success was hardly possible for a plan based, as we shall see, upon general theoretical principles rather than upon first-hand knowledge of the circumstances of the colony. Yet one result by itself was sufficient to justify the thought and labour of Wakefield and his associates of the New Zealand Company. The emigrants who proceeded from the British Isles to New Zealand in the first phase of its existence as a British colony were a carefully selected body of men of good character and sound physique, accompanied in the majority of cases by their wives and young children. They were tempted, no doubt, by the bright prospects held out by the Company; but the Company, in spite of some mistakes, may be said to have had regard to quality and not merely to numbers. Moreover there were among the emigrants a substantial proportion of men of sufficient capital to be able to afford a cabin passage, and of some education. It would be a mistake to think of the colony, even in the beginning, as dominated by an educated and propertied class: "it was observed," wrote Thomson, a contemporary authority, "that from whatever rank emigrants had sprung at home, in New Zealand they soon began to deprecate hereditary law-makers, and asserted, some in whispers and others openly, that all who were equal in mind and muscle were alike useful to the community." Economic and personal factors, and the rough and ready life of a new



country, hindered the reproduction of English social classifications: immigration from Old England was supplemented, especially in the north, by immigration from New South Wales: all immigrants, by the very fact that they had left their native country, showed themselves to be men of some initiative and ambition, eager to better their condition in life. Nevertheless it would be truer to say of New Zealand society in these early days that it was fluid than that it was aristocratic or capitalistic on the one hand, or democratic on the other: what is important is that whilst it was still in the mould it received an impress of solid character and practical capacity, and that there were men of vision and of intellectual ability to contribute to its formation.

The early years of the colony were dominated by the economic problem of striking root in a new country, in other words by the simple necessity of making a living, and by the social and political problems of finding a *modus vivendi* with the Maori inhabitants and establishing a satisfactory system of government. Gibbon Wakefield might systematize the colonization and select the colonists, but he could not make easy problems which were by their very nature difficult in an environment so unfamiliar and so remote.

When the first of the Company's settlers reached Port Nicholson in January 1840, a fresh start had to be made, economically speaking. The settlers, as already mentioned, possessed some capital: in other words they brought with them, and for some little time were able to import, stores and material equipment. They derived some aid from the Maori, who sold them supplies, and from the activities of the whalers: but it was necessary, if they were to survive, that they should find some stable economic basis. It was to be expected, and it was desired by the promoters of the colony, that this basis should be found in agriculture. The shores of Port Nicholson were none too well fitted for agricultural settlement.

### *First Settlements and Attainment of Self-Government 19.*

The ring of rugged hills was broken only by the valley of the Hutt, where there were some thousands of acres of fertile land, covered, however, with bush and expensive to clear. For any larger available area it was necessary to go much farther afield; and any such dispersion, to the Wanganui region for example, would involve new difficulties, not to say dangers. In the circumstances the settlement on the land of 600 out of a total population of 2,500 in October 1841 represented a fair measure of achievement. From the first, too, the advantages of Port Nicholson as a harbour enabled Wellington to supplement agriculture by commerce.

Wellington remained the headquarters of the Company in New Zealand: but other settlements were already in process of formation. In November 1841 the first settlers reached New Plymouth—180 miles north-west of Wellington and definitely superior from an agricultural point of view, though at a sad disadvantage commercially from its dependence on an open roadstead. In February 1842 Nelson followed: its harbour was poor and its site, which had been the subject of much discussion between the Company and the Government, had no more than 60,000 acres of cultivable land within reach: but the supply was equal to the actual demand. Had the supply of necessities of life been the only problem, these three settlements in the Cook Strait region could quickly have solved it and awaited with confidence the appearance of an exportable surplus and the beginning of real economic development. Auckland, which Hobson founded and to which he moved the seat of government in February 1841, was rather differently circumstanced. It was inaugurated amid an orgy of speculation in town sites by immigrants from Australia and from the extreme north, and the usual reaction followed. But the presence of the Colonial Government and the unrivalled facilities for trade with the Maori tribes were a great stand-by. The jealousy of the

Company's settlements, which had confidently expected Wellington to be the seat of government was understandable.

From the first, however, the problem of finding a basis for subsistence was complicated by other factors which have yet to be considered. In particular, there was uncertainty as to the very important matter of land titles—endangering good relations not only between settlers, Company and Government, but also between the two races, immigrant and native. The importance of satisfactory titles to land purchasers and settlers needs no emphasis: but the interests of the Maori had also to be considered, not only because equity demanded it, but also because active opposition by the Maori would rapidly make the settlements untenable. The advent of British sovereignty had been heralded by speculative “purchases” of land in Sydney and on the spot; and the purchases of William Wakefield on behalf of the New Zealand Company, though made in good faith, had been concluded hastily and in ignorance of Maori custom. In the transfer of land, the chief was the spokesman of the tribe and exercised great authority, but his action required the consent of the tribe; and in any case transfers on such a scale were new to Maori experience.

There was ample justification, quite apart from the Treaty of Waitangi, for the proclamation of Sir George Gipps, the Governor of New South Wales and the immediate superior of Hobson, on January 14th, 1840, that no title would be acknowledged as valid unless authorized through or confirmed by a grant from the Crown. This proclamation had as its natural sequel the setting up of a Land Claims Commission: its necessity is sufficiently indicated by the fact that it had to consider claims to the purchase of 56,654,000 acres—90 per cent. of the total area of New Zealand. Eventually, after some local appointments had been made, a Commissioner

### *First Settlements and Attainment of Self-Government* 21

was sent out from England ; he was honest, fair-minded, and capable, but his appointment and the necessities of the investigation when he arrived inevitably entailed delay. Moreover the New Zealand Company, although it was exempt from the acreage limit applicable to other purchasers and was entitled under an agreement with the Colonial Office to four acres for every pound of its total expenditure, had for obvious reasons to submit its specific claims to the Commissioner on the spot ; and in many cases they were opposed by the natives. The Company was indignant at the proceedings of the Commissioner : its settlers, many of whose purchases had been made in England before it really had any land to sell, were equally indignant at its failure to fulfil its engagements. There was unemployment, at Nelson in particular, among the labouring immigrants : the Company supported them out of its own funds, but an attempt to lower the scale of payment provoked a serious riot. The Maori, at first friendly enough to the settlers, became more and more restive as a result of the land disputes and the weakness of the Government. In June 1843 twenty-one Nelson settlers lost their lives in the Wairau Valley in a foolhardy attempt to execute a warrant against the powerful chief Te Rauparaha, who had burnt some surveyors' huts. Confidence, both in the colony and in England, received a severe blow, and settlement was at a standstill.

It was some years before the colony emerged from the crisis. The acts of the second Governor, Captain FitzRoy, who arrived in December 1843, made matters worse rather than better. He surrendered to the Northern " land-sharks " and waived the preemptive right of the Crown for which the Treaty of Waitangi had stipulated. His conciliatory policy towards the natives was carried to the point of weakness : not only did he acquit them of responsibility for the Wairau affair, but he set aside the Commissioner's award of 60,000 acres to the Company

at New Plymouth, he virtually left to the chiefs all enforcement of the law against native offenders, and he refused to carry out his instructions to organize a militia among the settlers. Finally he reduced the finances of the colony, already precarious on account of the cessation of land sales, to a state of utter confusion by a series of desperate measures—each perhaps justifiable if taken alone but totally lacking in steadiness and consistency. The same criticism may indeed be passed upon his general policy: the worst of its faults was vacillation. No such policy could hope for success with a proud and warlike race such as the Maori: its effect was the deterioration of the strained relations which had existed between the races on FitzRoy's arrival into actual war.

The chief fighting was with the ambitious Hone Heke and his ally Kawiti in the far north, which had declined economically since the advent of organized government and the transference of that government to Auckland; but the crisis was general. The Imperial Government realized the danger and sent military and financial assistance; but the main credit for the colony's escape is due to the vigour, insight, and ability of Captain George Grey, who was appointed to succeed FitzRoy as Governor. By January 1846, within a few weeks of his arrival, he had suppressed the revolt in the north; then he went south, by a bold stroke in July seized the wily Te Rauparaha, who was not in arms but was believed to be plotting against the Government, and in 1847 re-established peace generally. Once he had shown the natives the power of the Government, Grey treated them leniently, made friends with their chiefs, studied their language and ways of life, and sought to show them the advantages of British law and of peaceful industry and civilization. At the same time he reduced the controversy as to their right to unoccupied lands from a practical to an academic question by resuming the pre-emptive right of the Crown and purchasing extensive blocks of land—

including practically the whole of the unoccupied South Island. These new purchases made possible a great advance of British colonization in spite of the disputes and confusion still surrounding the land claims in the Company's settlements and in the north. It may be true that Grey exaggerated his own achievements and that he aimed too much at Europeanization of the natives. Though he postponed the great crisis of racial relations, he did not avert it. But postponement was in itself an inestimable advantage; for it strengthened the position of the colonists and, by so doing, diminished the bitterness of the struggle and promoted its ultimate settlement on a basis of mutual respect under the recognized supremacy of the British Crown. Organized war, deplorable though it was, was preferable to incessant isolated fighting and inch by inch penetration by settlers of hostile territory. That appeared to be the fate of the colony when Grey came on the scene. Moreover Grey's re-establishment of order and comparative security, and his purchases of land, provided the foundation for the resumption, if not indeed the real beginning, of economic development.

Agriculture had meanwhile been progressing, but slowly, and on different lines from those projected by the founders of the colony. Instead of the comparatively large farm with its hired labour, the small family farm, better suited to the work of pioneering and to the high-wage system that soon established itself, was becoming typical. "All the large farms in the Hutt valley have been broken up," a contemporary newspaper informs us. "The proprietors, whether owners or lessees of the soil, have gone away, and have let off as much of their land as they could, at low rents, in lots of five or ten acres, to farming labourers."<sup>1</sup> At Nelson and New Plymouth, the unemployment among the labourers was met by the

<sup>1</sup> *New Zealand Spectator*, January 30th, 1847: quoted by J. S. Marais, *The Colonization of New Zealand*, p. 142.

lease or sale on part payment of allotments of anything from a quarter of an acre to ten acres. In addition there was some squatting, without title, on the Company's lands. By such methods the area of cultivated land was gradually increased, and the small farmer began to make a niche for himself in the economic and social life of New Zealand.

At the same time the struggling colony was discovering that the pathway to economic progress lay not through agriculture but through the pastoral industries, and in particular the growing of wool. Here was a commodity—less dependent than agricultural produce upon facilities for transport—which found a ready market in an expanding industry in Britain. In a country such as New Zealand, well suited to pastoral farming, immune from the disastrous droughts that from time to time reduced Australian flockowners to despair, the growth of flocks was almost automatic; and the industry was much more suited than any other could be at this early stage—except in the north, where timber was more important—for the investment of capital by those who could command it. New Plymouth was hampered by its restricted area and other factors; but between 1844 and 1850 the number of sheep in the Wellington district increased from 8,000 to 42,652, and in the Nelson district from 4,732 to 70,960. In March 1849 the New Zealand Company recognized this development by the issue of new regulations entitling every purchaser of land, on payment of a licence fee, to a pastoral run a certain number of times the size of his agricultural holding. In 1851 a system of fourteen year leases was introduced. All that was required for a further rapid expansion of the pastoral industry was time and an increase in the area of available land.

The second of these requisites was provided not only by the purchase under Grey of new areas in extension of the existing settlements—supplemented by leases, in the Wairarapa region particularly, from

Maori owners—but more particularly by the foundation of two new settlements in the South Island. The first of these, Otago, was identified with the Free Kirk of Scotland, though the New Zealand Company provided the land, an area of 150,000 acres to be chosen from a purchase made in July 1844, and extending from the harbour of Otago to the Molyneux River. There was much broken country in this region, and the most fertile areas were at some little distance from the harbour, and in any case were not of very great extent. The settlers attracted to the new colony, founded in March 1848, were mostly small men, and for the first few years, though the worst tribulations of the earlier settlements were avoided, progress was slow. Otago was, however, a useful new base for the opening up of the interior. The last of the pioneer settlements, Canterbury, founded in December 1850 by an Association with influential Church of England connexions, was the best suited of all for rapid development. A few miles over the hills of Banks Peninsula, in which was situated the port of Lyttelton, lay the largest extent of level ground in New Zealand, intersected it is true by many fast-flowing and treacherous rivers but eminently suited both for cultivation and for the raising of stock. These natural advantages and the prestige of the Association secured land sales of some 33,000 acres by April 1852 despite the high price of £3 per acre ; the absence of the speculative buying which had so swollen the first land sales of the New Zealand Company was a thing to be welcomed rather than regretted, and it was significant that of the first 1,500 emigrants nearly a quarter had paid for cabin passages. New Zealand had recovered its attraction for men with capital : the critical stage of its establishment was definitely past. As if to underline the fact, the discoveries of gold in the Australian colonies in 1851, though they drained off part of the less settled population, gave a new fillip to New Zealand farming.



The final proof that New Zealand had emerged from the difficulties attending its foundation is to be found in the ever increasing attention paid to political matters and the ever louder demand for self-government in the later years of Sir George Grey's term as Governor. That any colony of British stock should demand free institutions was only to be expected : it was still more to be expected in a colony like New Zealand, since the Wakefield system of colonization attracted a large number of settlers accustomed to the exercise of political rights in the Old Country, excluded the convict class whose presence was a delaying factor in the Australian colonies, and insisted, with an emphasis natural enough in the age of the Reform Bill and of Lord Durham's Report, upon the benefits of political freedom. The British Government itself took it for granted that New Zealand was destined to receive representative institutions. The time and manner of their introduction, however, raised problems of some difficulty. Colonization had taken place not from one point but from many. Individuality had been secured, and settlement from many centres was the natural course in a long, narrow, broken country like New Zealand. But these settlements could communicate with one another only by sea; and as they were in large measure self-sufficient and isolated sentimentally as well as geographically, occasions for communication were few. These conditions, it is needless to say, added to the difficulty and expense of government and made it necessary that any constitution bestowed upon New Zealand should be decentralized in form. Yet a certain amount of unity of administration was also necessary, partly because customs duties, currency, judicial administration and certain other matters clearly demanded uniformity of law, but above all because the native problem concerned the whole of New Zealand and the Treaty of Waitangi was the charter not only of Maori rights but of British colonization. Indeed the colony could not

be given a free constitution at all until it was known how the Maori would take it ; for it was bound to entail in some respects the subjection of a native majority to the will of a colonial minority.

In June 1845, in the course of a House of Commons debate upon the crisis in New Zealand, Sir Robert Peel, the Prime Minister, admitted in principle the claim of the colony to representative government and foreshadowed the early creation of municipal governments with extensive powers of local taxation. It was extremely doubtful however whether these could be adequate, and what finally emerged from a year of intermittent discussion was an Act of a federal type, leaving most of the work of legislation to Provincial Assemblies—in the first instance two in number—to be set up in the parts of the colony owned and occupied by Europeans. As a matter of fact the colonists, as distinct from their advocates at home, had not as yet shown any impatient desire for self-government : they had much fault to find with the government, or lack of government, of FitzRoy and his predecessors, and they complained that the interests of Auckland were dominant, to the detriment of the South, but they had little leisure for the arduous tasks of administration themselves. Governor Grey, on receiving word of the Act of 1846, convincingly argued that it was premature. The vexed question of land claims was still unsettled, and for this and other reasons relations between the settlers and the Maori were still precarious. The attempt of the Act to draw an artificial boundary between predominantly European districts, where the constitution would operate, and predominantly Maori districts, where it would not, was impracticable. In short, its introduction would in all probability precipitate a new war. There was the further argument that self-government would entail a stoppage of the parliamentary subsidy granted since Grey's appointment : and for the time being the colony could hardly do without it. The

Imperial Government admitted the force of Grey's representations, and the constitution was suspended for five years.

The Governor had tactfully laid emphasis upon the objections to any constitution at the moment ; but as soon as he had a free hand he set about adapting the cumbrous machinery of the Act of 1846—which had provided for municipalities as well as provinces. for indirect election, and for bicameral provincial legislatures—to the needs and feelings of the colony. At the same time he experimented with the decentralization of legislation and administration which the colony admittedly required. These experiments were not very successful. The passage of the Act had kindled the latent desire of the colonists for self-government, the more so as they felt themselves to be emerging at last from their early difficulties. It was irritating to be told, as in effect they were, that a further probationary period was required. It seemed, too, as if it were not to the Colonial Office, of whom following an immemorial colonial custom they were quite willing to believe ill, but to the Governor that they were indebted for this deprivation of their rights. The Governor's personal character lent colour to this view : he was masterful, ambitious, persuasive to a fault : he made too much display of his influence over the natives. It was natural—though as the event proved mistaken—to suppose that he had no sympathy with liberal institutions at all. Accordingly the Southern colonists—for Auckland, where there was a strong military and official element, held itself aloof—obstructed Grey's policy, criticized the nominee members who took part in his legislation, and organized themselves in Settlers' Constitutional Associations to agitate for a new, more popular, and cheaper system of government. Under Grey's sympathetic administration the Maori difficulty receded into the background ; and his final proposals, as outlined in a dispatch of August 30th, 1851, were so liberal as to reduce the

### *First Settlements and Attainment of Self-Government* 29

issue between him and the leaders of the colonists mainly to a personal matter—not indeed unimportant, but at least promising a successful working of the constitution after his departure.

The Colonial Office approved in the main of the Governor's scheme. Whilst a Bill was in preparation, the Whig Government of Lord John Russell, which had done much to promote colonial self-government, fell and was replaced by a weak Conservative Administration under the Earl of Derby. The new Colonial Secretary, Sir John Pakington, was at first inclined to postpone the Constitution Bill; but two leading New Zealand colonists, William Fox and F. A. Weld, who were then in England, reinforced by the Colonial Reformers of the Wakefield school, persuaded him to act at once. There was no opposition to the Bill on principle, though a good deal on important points of detail, and after some modification it became law on June 30th, 1852. It was a generous grant of self-government to a colony which had only been in existence twelve years. The franchise was a wide one: in Sir George Grey's opinion every well-conducted man, however humble his origin, would acquire the qualification after a few years in the colony. The provincial organization which was set up in each of the six settlements was of a very popular character: there was not only to be an elected provincial council but a directly elected superintendent. The provincial councils could legislate on all but thirteen specified topics, on most of which the need of uniformity was beyond controversy. The superintendent was no mere figure-head but effectively controlled the provincial government. The Governor was given a certain control over superintendents and over provincial legislation, but the real check on the provinces lay in the concurrent legislative powers given to the General Assembly. The Assembly was also given power to regulate the sale, letting, disposal and

occupation of the waste lands of the Crown, although in recent years British policy had been dominated by the idea that control of colonial lands should be in the hands of the Imperial authorities, as trustees for potential immigrants, rather than of the local inhabitants. Finally the Assembly was given a wide power of amending the constitution. There was some criticism of the nominee Upper House of the General Assembly—the Lower House was of course directly elected—as being a blot upon the liberality of the measure; but the importance of this provision was greatly overrated, and the demand for its amendment was soon forgotten.

In one respect, indeed, the constitution was incomplete. No reference was made in the Act, in the accompanying instructions, or in the debates in Parliament, to the responsibility of the Executive to the Legislature. It is a fair inference that it was not at that time intended to depart from the system of administration by nominated officials. The first General Assembly, however, when it met in May 1854, immediately passed a motion demanding the establishment of ministerial responsibility “both as an essential means whereby the Central Government may rightly exercise a due control over the Provincial Governments, and as a no less indispensable means of obtaining for the General Government the confidence and attachment of the people.” Sir George Grey, whose personal unpopularity had helped to force the issue to the front, had by this time left for England, and Colonel Wynyard, who was temporarily administering the government, was naturally reluctant to make such a fundamental change without authority from home. As a compromise he offered to add to his Executive Council two or three members possessing the confidence of the Assembly. The compromise, however, could only work with tact and goodwill on both sides. After a few weeks the new Executive Councillors resigned; and it was finally necessary to leave the

government in the hands of the old officials pending the decision of the Home Government on the resolution of the House of Representatives. In the interim the attitude of the Home Government had changed ; and the grant of responsible government wherever it was definitely desired was the order of the day. The Secretary of State approved of Colonel Wynyard's caution, but acceded without hesitation to New Zealand's request. Since 1854, broadly speaking, the destiny of New Zealand has been in the hands of its own inhabitants to make or to mar.

The goal of responsible self-government had been attained without anything in the nature of a struggle : for the agitation against Grey can hardly, in retrospect, be described as such. For its speedy success New Zealand had to thank the high quality of its colonists, the support of its friends at home, and, not least, the liberality of the Imperial Government. There had, it is true, been much controversy between the New Zealand Company, under whose auspices the colony was founded, and the Colonial Office. The controversy is of interest and importance to the student of British colonial policy, but—except in the important matter of native policy—of far less significance than is sometimes assumed in the history of New Zealand. Long before it surrendered its charters on July 5th, 1850, the Company had made its contribution to New Zealand's history in the planting of a number of sturdy settlements in New Zealand soil. It is fortunate that the colony was not deeply involved in the disputes at home, for bad blood between colonists and Colonial Office would have done no one any good and would have embittered their relations in the difficult years that were to follow.

The leading men among the colonists had co-operated in the constitutional agitation, but it is important to remember that New Zealand was not, as yet, really a united colony. It was not much more than a geographical expression. Fox gave to

his book, published in 1851, the title of *The Six Colonies of New Zealand*. The chief bond of unity between the settlements was that uniting all of them to the Mother Country from which the great majority of their inhabitants had come. When the new constitution was inaugurated, Sir George Grey set the provincial machinery in motion first, and though he was criticized at the time and afterwards for wishing to avoid a meeting of the General Assembly it is not really fair to accuse him of giving the constitution a provincial bias: the provincial bias was in the facts—the delays and difficulties of communication, the urgency of local problems. Responsible government itself can hardly have been so urgent as it appeared at the General Assembly of 1854, for it was not possible in 1855 to get together an Assembly representative enough to introduce the necessary changes. The great political task before the colony was indeed the achievement of unity; but that was an achievement requiring years of labour and of conflict.

### CHAPTER III

## DEVELOPMENT AND WAR

THE years immediately following the attainment of self-government were years of economic and political progress. The demands of the Australian colonies, with their rapidly increasing population, provided an export market for grain and flour, potatoes, and livestock; but the characteristic economic development was on the wool industry. Pastoral occupation was rapidly extending, flocks were rapidly increasing, particularly on the natural grasslands of the South, in Canterbury first and then in Otago. Land was available on easy terms. In the North there were large sales under the regulations issued by Grey in March 1853 at 10s. or in certain circumstances 5s. an acre. Within the Canterbury and Otago "blocks" these regulations did not apply, and the land was taken up under pastoral licences or leases. This phase of extension did not last long: in Australian history it demands a chapter to itself, in New Zealand only a page. By the end of 1856 the Canterbury newspaper announced that the whole available country in the province was in occupation, though when Samuel Butler arrived three years later it was still possible to find unoccupied corners. In Otago, the real advance into the interior began in 1856, and the Chief Surveyor was busy for eighteen months on reconnaissance surveys; by 1861, in the words of the historian of early Otago, though there were regions left unconquered, there were few worth the costs of victory. Though it was a mere episode, however, it was a very important episode. The number of sheep in the colony, which in 1851 had been a quarter of a million, was two millions and



three quarters ten years later. The Provincial Governments used their increasing revenues to introduce more immigrants, so that the population—although still small—was increasing by leaps and bounds. Provincial treasuries, which at first had to think in thousands, were beginning to think in hundreds of thousands: Moorhouse, the sanguine Superintendent of Canterbury, raised a loan of £300,000 on the London market for the construction of a railway tunnel between Lyttelton and Christchurch.

Politically, New Zealand was trying to find a middle way between excessive centralization and excessive provincialism. Whilst political development at the centre was held up by the demand for responsible government, the Provincial Governments had been to all intents and purposes in charge of colonization. Although land legislation was left by the constitution to the General Assembly, an Act of 1854 left the initiative to the provinces, where different systems due to different schemes of colonization were in fact already to be found. The weakness of the provinces was that their finances were dependent simply upon Sir George Grey's provisional allocation of the revenue, which had already been modified without warning and might be again. It was thus in their interests that the General Assembly which met in 1856 should prove less ineffective than its predecessors. After two unsuccessful attempts this Assembly was in fact able to produce a strong Ministry, headed by E. W. Stafford, who had been Superintendent of Nelson; and this Ministry framed an acceptable financial settlement, though it could not at once be given the force of law, being dependent on the assent of the Imperial Government. The essential basis of the settlement was that the administration of the land revenue, as well as of the lands themselves, was entrusted to the Provincial Governments. The cost of native land purchase, and the charge imposed on

the land revenue by the Constitution Act in the interests of the New Zealand Company, were to be met out of a loan. The result of this so called "compact of 1856" was to give fresh confidence to the provinces of the South, which had feared that their revenues might be taken from them for the purchase of native lands. The Provincial Governments were also allotted three-eighths of the customs receipts. A satisfactory *modus vivendi* seemed to be in sight.

The question however was complicated by the fact that the provinces and the General Government regarded one another as rivals rather than as co-operating powers. Public opinion, disgusted with the bitter party warfare which was raging in the provinces of Otago, Auckland, and in particular Wellington, supported the Colonial Government when it asserted its powers of control. In particular the runholders of the outlying districts complained that they got no adequate return for the revenue they contributed to the Provincial Governments. In 1858 the Colonial Government used this discontent to clip the wings of the provinces. Under the New Provinces Act of that year, a petition of 150 or more electors, if they formed a three-fifths majority of the electorate of a district fulfilling certain geographical conditions, could automatically set in motion machinery for the erection of a new province. This was almost immediately followed by the carving of the new pastoral province of Hawke's Bay out of the north-eastern part of Wellington. Had the Act stopped there, it might have been salutary in its effects. If it was essentially a party measure, the conduct of the Provincial Governments afforded some excuse. But unfortunately the machinery was used again to set up Provincial Governments in Marlborough and Southland—the former so weak and the latter so extravagant that instead of providing more effective local self-government they merely discredited the whole provincial system. Moreover the Provincialist party, when the tide seemed to be

turning, were deprived of their chance of counter-acting the trend towards centralism by a crisis in native affairs.

In the period of Sir George Grey's rule there seemed reason to hope for a peaceful settlement of the relations of Maori and settler. The Maori had adopted European ways with something like enthusiasm. Ploughs, horse-drays, water-mills, Maori-owned sailing vessels were not infrequently to be seen among them. The Governor had won their confidence by his devotion to their interests. Then he left New Zealand—and left the settlers in enjoyment of political power. The lingering suspicions in the Maori mind seemed to be confirmed. They received the impression that the Government cared little for their welfare but a great deal for their lands. The fact that the two offices of Native Secretary and Chief Land Purchase Commissioner were united in the same hands seemed ominously significant. By 1856, practically the whole of the South Island and about one-tenth of the more thickly populated North Island had been alienated by the Maori. Was it not time to call a halt? The shadow, they had said when they signed the Treaty of Waitangi, goes to the Queen, the substance remains with us. The substance, the land, seemed to be passing from them after all; and they had a natural "fear of what the future might hold if they parted with the land on which was based the only way of life they knew." Some of the tribes formed a league against further sales, under the auspices of Wiremu Kingi Te Rangitake, a chief of the Ngatiawa tribe of Taranaki. True, when in 1856 the first responsible ministry was established, the control of native affairs was reserved to the Governor. But the arrangement did not—perhaps could not—work well. The Governor, Colonel Gore Browne, had no funds, except £7,000 reserved by the Constitution Act, to spend upon native policy, and was dependent upon the Assembly for any legislation he might

think necessary to carry out his policy. Nor was he man of personal force and originality, who could devise a policy of his own and persuade the Ministry and the colony to entrust its execution to his hands. He assented to a Native Reserves Act and other measures of the Assembly entrusting the powers therein conferred to the Governor and the Executive Council ; and Ministers undoubtedly exercised their right to give him advice on native questions. He in his turn could freely consult the officials of the Native Department, the Chief Justice, the Bishop and leading missionary friends of the Maori. But the Maori had no particular reason to think of the Governor as standing for an authority which would judge impartially between the claims of land-hungry settlers and their own. Indeed the Minister who was most active and influential in native affairs, C. W. Richmond, represented Taranaki, where 3,000 settlers were cooped up in some 63,000 acres and were naturally anxious for more room. Richmond was a man of the highest character and ability, but if his outlook on native policy had been quite unprejudiced he would have been more than human.

Meanwhile the Maori were making a gallant attempt themselves to supply the lack of a positive native policy. There arose in the populous Waikato region a movement for uniting all the tribes under an elected paramount chief or king, with a constitution and code of laws. This, it was hoped, would remedy the decline of authority and the decay of the old tribal restraints, which were making the chiefs so uneasy. The ablest of the chiefs, Wiremu Tamihana<sup>1</sup> of the Ngatihaua tribe—a man, as Pember Reeves says, “ far in advance of his race in breadth of view, logical understanding and persistence ”—was anxious for co-operation with the Government ; and it might well have been possible to turn the king movement to good account. But the Governor

<sup>1</sup> In full, Wiremu Tamihana Te Waharoa. Wiremu Tamihana is a Maori transliteration of William Thompson, by which name he was generally known among the settlers. Similarly Wiremu Kingi is William King.

refused to see Tamihana when he came to Auckland in 1857. When the old warrior Te Whero Whero was installed as king in April 1858 it was something very like a gesture of defiance to the Government. But it was in Taranaki that the crisis came to a head. There had long been feuds among the Maori there between the Land Leaguers and the party anxious to sell. In March 1859 a block of land at Waitara was offered for sale to the Governor. Although Wiremu Kingi asserted his claim to the land and strongly opposed the sale, the Governor accepted it. About a year later forcible measures were taken to dispossess Wiremu Kingi, and the Taranaki War began. The Governor had acted in good faith, if under pressure from the eager settlers; but the Maori generally believed in the claim of Wiremu Kingi, and no issue could have been better calculated to rally them against the British.

Yet fortunately the war never quite became a war to the knife between the two races. It was for the moment popular among the white colonists. The argument that the responsibility lay with the Governor, not with the Ministry, and that the cost must therefore be defrayed by the Imperial Treasury, no doubt contributed to its popularity. But in so far as the argument applied, it gave the Imperial Government the power to exercise, at the cost of some friction, a moderating influence. Moreover the colonists themselves were not united. Sir William Martin, the former Chief Justice, Bishop Selwyn, Fox, the leader of the Provincialists, and Featherston, the Superintendent of Wellington, challenged the war policy and demanded an impartial inquiry into the causes of the war. The influence of these few men kept the natives quiet in Wellington and offered some hope of an eventual solution of the native problem.

The Taranaki military operations ended in a truce in April 1861, and the terms included an inquiry into the title to the Waitara block. But both sides

were embittered by the devastation wrought by the war and peace was precarious. Governor Browne issued, in May, a proclamation against the king movement, which had lent its support to the Taranaki tribes, and gradually came to think war against the Waikato tribes inevitable. On the other hand the friends of peace were encouraged by the success of Fox, in July, in turning out the Stafford Ministry and by the return of Sir George Grey, in September, as Governor. Both Fox and Grey were convinced that the system of double government was unworkable and that the Governor must act through his Ministers in native as in other affairs. The Imperial Government, believing that the responsibility of the Governor for native affairs had become merely nominal, acquiesced. It was certainly a necessary preliminary to a real pacification.

But neither colonial nor Maori opinion was as yet ready for such a policy. Now that the actual fighting was over, South Island opinion was quick to disclaim interest in native affairs. The opposition of interest between the islands was increased by the discovery of gold in Central Otago in June 1861. Thirteen thousand new immigrants arrived, chiefly from the now declining goldfields of Victoria, and the population of the province was doubled. These men knew and cared nothing about the Maori problems of the North: all the available provincial funds, and more, seemed to be needed for roads, police, and Government buildings on the goldfields. Many began to demand a financial and political separation of the two islands.

This feeling was not strong enough to come within measurable distance of achieving its object, but it was strong enough to bring about the defeat of the Fox Ministry in the House of Representatives in August 1862. Fox himself had not intended, in assuming responsibility, to assume the entire cost of governing the natives and suppressing their rebellions, which the Imperial Government wished to

impose upon the colony, and the Assembly now protested that it wished to withdraw Fox's offer. The Imperial Government was not to be deflected from its policy, and the chief effect of the southern revolt against Fox was to install a ministry whose views on native affairs were less disinterested and whose will to peace was decidedly weaker.

Nor had Sir George Grey been successful in regaining the confidence of the Maori. When in April 1863 he came to the conclusion that the Waitara block ought to be returned to them, the Ministry withheld its consent until the opportunity had passed: the reoccupation of another block, which was admittedly owned by Europeans, was resisted. The Maori, who did not as yet know that Waitara was to be returned to them, felt that might rather than right was to be the rule of action, and acted accordingly. Thus began the second Taranaki war. But war might have come in any case in the Waikato. Sir George Grey had paid a visit to the "king" tribes: he sent a magistrate to live with them and, in accordance with the policy of his first Governorship, he set about making a road from Auckland towards their territory. Roads, however, were in the present mood of the Maori not symbols of civilization but means of invasion. The war party in the Waikato got the upper hand, and news reached the Government of a projected attack on Auckland: to meet it, troops were brought from Taranaki, and the Waikato was invaded in July 1863.

The political consequences of this breakdown of the peace policy were most unfortunate. When the Assembly met again in October, the Ministry was reconstructed under the leadership of Whitaker. Fox was a member of it, but its only connection with the policy for which he had stood was its acceptance of responsibility for native affairs, and as to that it had been left no choice by the Imperial Government. It was essentially an Auckland Ministry, and the central feature of its policy was to make the war pay

for itself, in the long run at least, by extensive confiscations of rebel lands.

Meanwhile a loan of £3,000,000 was to be raised, partly to carry on the war, partly to pay for the introduction of military settlers—some had already been recruited in Australia—partly for surveys, public works and other charges in connection with the land to be taken for settlement. If, as the Imperial Government insisted, the colony was to pay for the war, a loan was natural enough. But it was foolish to attempt to turn the war into a profitable operation. It antagonized opinion in England and the military commanders on the spot, lending colour to the view that to some elements at least in the colony the war was a mere land-grabbing operation. It ignored the practical difficulties and in particular the complications of native title: the question of compensation to loyal natives was raised, but not squarely faced. Finally, it ignored the fact that under the previous Government, in the later months of 1862 and the early months of 1863, sanction had been given to Provincial Loan Ordinances covering an amount of nearly £2,000,000. This provincial borrowing policy had some excuse in the case of Otago and Canterbury, whose revenues were benefiting in the one case directly, in the other indirectly, from the goldfields. But they accounted for only half the borrowing. Whether all these provincial loans could ever have succeeded on the London money market is doubtful. Now they and the new General Government loan got in each other's way and the finances of the whole colony were thrown into disorder. The main responsibility undoubtedly rested with the Colonial Government, the more so since one of its leading members was also the leading man in the recently founded Bank of New Zealand.

The policy of the Whitaker Ministry was an utter failure. The military operations indeed resulted in the conquest of the Waikato and later of the Tauranga district, but they were generally felt to



have achieved these results at disproportionate cost ; and there was a good deal of friction between the Imperial commander, Sir Duncan Cameron, and the colonial volunteers. The Treasurer went to England but failed to negotiate the loan. The confiscation proposals, covering eight million acres, were not rejected by the Imperial Government ; but it pointed out that the war was still being waged for the most part by Imperial troops and pressed for modifications. Finally this dispute developed into a personal quarrel between Sir George Grey and his Ministers, which after a fierce war of memoranda led to their resignation in September 1864.

Fortunately Southern opinion had awakened to the consequences of its former disavowal of responsibility. The new ministry headed by Weld, a Canterbury sheepowner, held that the colony should cease to rely upon Imperial troops and carry on the war as efficiently and economically as possible with its own resources. The change of spirit associated with this "self-reliant" Ministry was symbolized by a removal of the seat of government. Auckland had always breathed a different atmosphere from the Southern settlements, founded on different principles and peopled by men of a different type. Its nearness to the main native centres was no longer an advantage. It seemed to some observers to have acquired a vested interest in the continuance of the war, with its profitable opportunities for contracts and speculation. The Weld Ministry at once acted upon the recommendation of an Australian Commission appointed under the resolution of an earlier Assembly, and moved the seat of government in January 1865 to Wellington. It thus undoubtedly brought the Government into closer touch with colonial feeling, for the economic centre of gravity had been shifted southwards both by the war and by the goldfields. In the long run, the change helped forward real political unity. But its groundswell continued for some time. Auckland pressed for separation

from the South either by itself or with "such other portions of the North Island as may be deemed expedient"; and Sir George Grey himself sympathized with the demand. It met with sympathy also from many in Otago, who thought government from Wellington only one degree better than government from Auckland. On the other hand the Imperial Government, well aware that Auckland or indeed the whole North Island could only afford to separate if they received aid from Imperial funds, stood behind the Weld Ministry and its self-reliant policy; and separation was decisively defeated at the General Assembly of 1865.

Meanwhile the legacies of the Whitaker Ministry were proving very embarrassing. The Weld Ministry had, in the first place, to make the best it could of the military settlement scheme. The promises to the settlers had to be redeemed. The consent of the Governor was secured to a modified confiscation policy, in which due regard was to be paid to the claims of loyal natives and of rebels who laid down their arms.<sup>1</sup> The actual work of settlement was to be handed over to the Provincial Government, with advances as required from colonial funds. In spite of these advances, however, the whole scheme had in the end to be written down a costly failure. The idea of making the war pay had been an illusion. That had indeed been recognized by the Weld Ministry from the outset. In pursuit of the second of their aims—the restoration of the colonial finances—they raised £1,000,000 by Treasury Bills, increased the rate of interest on the unraised portion of the £3,000,000 loan, and imposed new tariff duties; and they hoped that the Imperial Government would help them by guaranteeing the remainder of the loan. Failing to obtain the guarantee, they had to come to the Assembly in 1865 with proposals to levy stamp duties and to deprive the provinces of

<sup>1</sup> The total area confiscated—most of it in the Auckland province, but some in Taranaki—was 2,800,000 acres.

their right to the surplus customs revenue, grants in aid being payable to them from year to year instead. There was at this stage no organized Provincialist party, but there was a good deal of Provincialist sentiment in the House, and the breakdown of the provincial borrowing schemes had brought most of the provinces into difficulties and one of them—Southland—to bankruptcy. The Ministry, which had appeared so strong, was unable to carry its scheme through. The general feeling was that the possibilities of retrenchment in general Government expenditure had by no means been exhausted ; and the man with the best reputation for economical administration—Stafford, who had been in the background for some years—was installed as Premier. In their difficulty the Provincialists had had to turn to the former leader of the Centralists.

Once Stafford was in office, events conspired to bring about a return to normal politics. So long as the British troops remained in the colony and were commanded by Sir Duncan Cameron, the end of the war seemed past hoping for. His relations with the civil authorities, never good, steadily deteriorated. "The campaign between Sir George Grey and General Cameron," wrote Fox, "seems to have been by far the most vigorously prosecuted of any which was ever carried on in New Zealand." There was fighting to be done—guerrilla warfare in the Taranaki, Wanganui, and east coast regions, embittered by a sort of bastard Christianity adopted by the more fanatical of the rebel Maori and generally known as "Hauhauism." But the General would undertake no active operations and seemed determined to prevent their being undertaken by anyone else. At last he was replaced by General Sir Trevor Chute, who brought the Taranaki war to an end by a march through the district from Patea to New Plymouth and back in January 1866. The Hauhaus were beaten in the east after strenuous fighting by colonial forces and friendly tribes. The British troops were

gradually being withdrawn; and the self-reliant policy was justifying itself. Auckland continued to dislike it and, despairing of separation, began to urge that provincial powers might be enlarged to include the management of native affairs. The difficulty was that the cost of management would involve a subsidy from colonial funds. Stafford, at the General Assembly of 1866, made effective play with this argument and with the fact that provincial boundaries had no real existence for the native tribes of the interior. He found himself on familiar ground: once again politics were beginning to turn on the advantages and disadvantages of the provincial system.

The question was inevitably raised, too, by the financial readjustment of which the colony stood in need. For suggesting the need Weld's Ministry was turned out in 1865, but in 1866 his Treasurer, Fitzherbert, who had been shown the door by the Provincialists, returned by the window and resumed his office under Stafford. His financial scheme, brought forward in the Budget for 1867, can only be given the barest mention here. It left the provinces their land revenue, but it altered the basis and lessened the amount of their share of the ordinary revenue of the colony. It also managed to relieve the Northern provinces, Auckland particularly, at the expense of the wealthier provinces of the South. Finally it converted the whole of the provincial and colonial loans, and safeguarded colonial credit for the future by forbidding Provincial Councils to pass any ordinance raising a loan or guaranteeing the payment of any interest or subsidy. There can be no doubt that Fitzherbert's scheme improved the financial position of the colony as a whole; but it weakened the financial position of the provinces. The strongest argument used against the provinces in the coming years was their financial weakness. It was partly, no doubt, their own fault, and partly the consequence of the Maori War: but it was also

true that Colonial Ministries were apt to regard the weakening of the provinces as an argument in favour of a policy rather than against it.

Moreover there was again discontent in the out-lying districts with which to vex the provinces. In particular South Canterbury was jealous because Canterbury was spending money on railways from which it received no benefit; and the gold miners on the West Coast of the South Island, to which there was a rush in 1865, complained that they were neglected and that Canterbury was endeavouring to force their trade into unnatural channels. There was no particular demand, however, for the elaborate machinery of provincial government; and the Stafford Ministry sought to find a substitute which might in time supersede provincial government altogether. South Canterbury in 1867 was given a Board of Works, with a fourth of the provincial land revenue. "Westland" was erected into a county independent of Canterbury, possessing considerable administrative but no legislative powers.

The undermining of the provinces was however interrupted by a recurrence of the Maori War, which had died down since 1866. Titokowaru, a chief of the Patea district of Taranaki, broke out into revolt about the middle of 1868 and twice repulsed the colonial troops; and in July a brilliant guerrilla leader, Te Kooti, escaped with a band of followers from imprisonment in the remote Chatham Islands, and landed on the east coast. In November Te Kooti swooped down upon the settlement at Poverty Bay and massacred its inhabitants. The escape of such a formidable prisoner might well weaken a Government. The South was desperately afraid of a new war and a new war loan. The Government sealed its fate by quarrelling in March 1869 with Donald McLean, Superintendent of Hawke's Bay, General Government Agent on the East Coast, and an influential member of the House of Representatives. McLean, who had been Grey's Chief Land Purchase

Commissioner in days gone by, was now generally felt to be the best qualified man in New Zealand for dealing with the native problem. When the Assembly met in 1869, he joined forces with Fox, now again leader of the Provincialist opposition; and the Stafford Ministry was beaten by 40 to 29, the chief point of attack being its proposal to raise a loan for the purpose of securing a permanent solution of the native problem. Fox became Premier, and McLean Native and Defence Minister. McLean was to remain in charge of native affairs for more than seven years; and it was he who restored peace to New Zealand. True, Titokowaru had already been beaten, and Te Kooti on the other hand was never finally beaten in the field but driven towards the end of 1871 into the central fastnesses of the island and then left alone. The transition from war to peace was in fact a gradual one. The wars left behind them a legacy of suspicion and resentment which long continued to effect the native mind and prejudice the success of any native policy. But after 1869-70 the wars were no longer the chief preoccupation of Colonial Governments. The policy to be pursued towards the Maori was no longer a matter of keen dispute between Imperial Government and Colonial Government, between Governor and Ministry, between Auckland and Wellington, between North Island and South. The conduct of policy was by general consent entrusted to McLean. He not only kept the peace but he took the native question out of politics. The Maori problem was by no means solved, but some of the conditions of its solution were beginning to be understood: reason was beginning to have more influence, and passion less.

The wars, as has been said, had an unfortunate effect upon the Maori race: it could not be otherwise, for they had arisen in large measure from errors of policy on the part of the Colonial Government. Not to speak of the British soldiers who fell, the

colony had lost hundreds of men and spent millions of pounds that it could ill spare from the constructive tasks of colonization. But out of evil had come some good. It seems clear that the wars had increased the esteem of the colonists for the Maori. They had fought bravely against great odds, and many tales were told of their chivalry in battle. Many of them, it should not be forgotten, had shed their blood by the side of the colonists, fighting against their own kith and kin. By the close of the war the colonist had come to realize that this was indeed no ordinary native race that he had found in New Zealand; and this new respect was a *sine qua non* of successful native policy. Evidence can be found of it before the war ended. In 1867 the Maori were given four members of their own race in the House of Representatives—a measure which was regarded as quixotic but a few years before. In 1872 two chiefs were elevated to the Upper House. There was to be no race discrimination against the Maori in New Zealand; and if it was necessary to fight a war to establish that principle, the war was worth fighting. Moreover the valour which the Maori had shown in the wars was such as to deter even the foolhardy from wantonly provoking another.

The wars also had important political and economic reactions upon the colony. There had been repeated and insistent challenge both from the North and from the South to the political unity of the colony. That principle had nevertheless won through. After a period of hesitation and evasion, the colony had braced itself to treat the ending of the war and the settlement of the native problem as a common task which it must perform. This had not been the work of any one outstanding political leader, though it is probably true to say that the credit belonged to a comparatively small group of men and that the bulk of the population was still sunk in localism and political apathy. However that may be, the six colonies of New Zealand were clearly coalescing into

one; and from the self-reliant policy and the reaction against the movement for separation of the islands the germ of national feeling was developing.

Economically, the chief effect of the war decade was to accentuate the inequalities of the provinces. There was some increase in population and wealth even in the North Island; and late in 1868 new prospects were opened up for Auckland by the discovery of gold at the Thames. But progress in the North Island had been paralysed by the war and the increased financial burdens consequent on the war. On the other hand the effect of the Southern gold discoveries had been such that the population of the colony increased from 99,000 in 1861 to 248,000 in 1870. In Otago from 1861 to 1863 field after field of rich alluvial gold was opened up in the mountains of the interior; and then it was the turn of the West Coast. The discoveries were not on the Californian or Victorian scale, and the richest deposits did not last long. Nevertheless Otago from 1861 to 1870 exported gold to the value of £10,588,000 and Westland, from 1864 to 1870, £9,293,000. More important than the gold itself were the population and the capital that it attracted. Many of the miners went away; but many stayed. The growth of the land revenue not only in Otago but in Canterbury was evidence of the economic stimulus of the goldfields—though not, it is true, of them alone, for the two and three-quarter million sheep of 1861 had increased by 1871 to ten millions, more than half in these two provinces.

The colony had not only developed economically during the war decade. Its temper was changed by the miners and the men who accompanied them. These men were more speculative, more aggressively democratic, less conservative, less provincially minded than the settlers who preceded them. There were elections only once in five years, and the changes in the distribution of seats were naturally slower



than the changes in the distribution of the population. Besides, the Maori Wars had overshadowed all other problems. But now that the wars were over a new spirit appeared in colonial politics. It is associated with the name of Julius Vogel.

## CHAPTER IV

### THE PUBLIC WORKS POLICY AND THE REACTION

VOGEL was Colonial Treasurer in the new Fox Ministry: he was only thirty-four, and though he had been for three years Provincial Secretary and Treasurer of Otago, he could not compare in political experience with Fox and McLean. But he soon came to be the dominating figure in the Ministry, partly through sheer political ability, but partly because the situation of the colony was peculiarly favourable to a man of his character and political outlook.

Among the provinces only Auckland and Otago could regard their position at this time with confidence or even with equanimity. Auckland was basking in the sunshine of the Thames goldfields; Otago's gold had lost something of its old lustre, but the land revenue was flourishing and the province was accordingly able to continue a steady expenditure on roads and other works. But Westland was in the unhappy position that usually followed a gold boom—substantial commitments, shrinking revenues, and a dawning realization that wealth in the future would not be easily won. Canterbury too was in financial difficulties and losing its old faith in provincial institutions. As for the other provinces their treasuries were empty, and the only possible source of money seemed to be the General Government. At the same time there was a widespread demand for a bold development policy. In the past, with the exception of the ill-starred three million loan scheme, the work of colonization had been left to the provinces; and many of the provinces, Otago and

Canterbury in particular, had done much useful work. But they had of necessity tackled their problem locally: sooner or later—as soon indeed as public opinion permitted—colonization must be tackled nationally. For the next stage in colonial development was clearly the linking up of the provincial centres more closely with one another, and in the railway age that meant linking them up by railway. Provincial governments had not the necessary resources, and it was very questionable whether they had the necessary spirit of co-operation. Forty-six miles of railway had already been constructed by the provinces, and they were of three different gauges. Private enterprise had been deterred by the uncertainty of the conditions and by the fact that provincial governments were debarred from guaranteeing interest payments and were in most cases not in a position to offer any financial inducements. On every count—finance, engineering problems, necessity of long-range planning and continuity in execution—the opening up of New Zealand by railways was a task for the Colonial Government. The same arguments applied to roads in the undeveloped North Island; and indeed roads seemed to offer the same advantages in the field of native policy as in the field of settlement. Immigration was also in demand, and would be required still more if great public works were to be embarked upon; but Otago was the only province with funds to apply to this purpose. The obvious answer to the public demand was a colonial loan for public works and immigration, the more so since, if New Zealand was anxious to borrow, Great Britain was anxious to lend. Colonial railways meant employment for British shipping, markets for the British iron industry, and steady interest payments for British capital. Colonial development generally meant opportunities for British workmen, and 1869 was a year of distress and reviving interest in colonization.

It was not, therefore, surprising that Vogel should

take up the idea of borrowing : what was characteristic of the man was the imaginative, and yet realistic, spirit in which he took it up in his Public Works Budget of June 28th, 1870. He suggested that during the next ten years the colony might safely incur a liability of £10,000,000 for roads and native land purchase in the North Island, for water-works for the goldfields, immigration, and above all railways. He hoped, however, that by a use of the systems of guaranteed interest, subsidy, and payment in land the actual Government borrowing might be reduced to £6,000,000. The public debt at this time was a little less than £8,000,000. Given a wise employment of the money, Vogel's proposals were not unreasonable. They had a mixed reception in the House ; but they were primarily intended to appeal not so much to the House as to the country, and they succeeded in their object. Only in Scottish Otago, the one province which felt it had something to lose, was criticism loudly heard. The critics in the House were threatened with a dissolution, and Vogel's measures were passed. For the moment the authorized borrowing was limited to £5,000,000, and £1,000,000 of that was for " defence and other purposes." The provinces were to play a part in the scheme, although of course the final responsibility was to rest with the General Assembly ; and railways were to be charged provincially, though the charge might be redeemed by the surrender of an equivalent amount of land. Vogel warned the provinces, however, that their institutions were on trial.

The usual quinquennial elections followed ; and the country approved the scheme with no uncertain voice. Otago remained sceptical, but by June 1871 the Provincial Council had abandoned its first refusal to co-operate. The Superintendent, Macandrew, was a strong supporter of the scheme : but the main reason for the change of attitude was the fear that the interests of Otago might otherwise suffer in the distribution of loan expenditure. It

was already becoming clear that the effects of the Public Works Policy were not wholly good : its aims might be national, but its strongest appeal was to localism. On the one hand it called up a vision of future greatness, but on the other hand it encouraged political materialism. What was still more disquieting was that the safeguards which Vogel had intended to provide were swept away. When he returned from negotiating the loan in England he proposed that the recommendation of railways and the superintendence of their construction should be entrusted to a Board of Works : it was condemned on all hands as offering facilities to corruption and political influence, and its functions were absorbed by the Government itself. *Quis custodiet ipsos custodes ?* The idea of payment for railways in land had no better fortune. The Public Works Policy inaugurated a land boom, most dangerous in Canterbury, which still clung to its system of sale at the fixed price of £2 per acre. In 1873, declaring that these lands were the real security for the public works loan and should not be alienated without regard to the interests of the colony, Vogel developed his earlier suggestion. For all railways hereafter authorized, security should be taken in land of a value twice the cost of the line, and the revenue from it should be used to pay the interest or to extinguish the debt. £3,000,000 of further borrowing was proposed on this understanding. It was no use. Otago, Canterbury and Wellington regarded the railway reserve scheme as a cunning attempt to seize their cherished land funds for colonial purposes ; and it had to be dropped. The new loan was approved *sans phrases*. It was easier to set the ball rolling than to stop it. In 1874 Vogel sounded a note of caution, and well he might, for the boom that followed the Franco-German War had come to an end and monetary conditions were no longer easy ; but it had not much effect. Indeed in that year a further loan of £4,000,000 was authorized.

It was in 1874 that the first great political issue raised by the public works policy—the position of the provinces in the new order of things—came to a head. Fox was no longer Premier—he had retired in 1872—but Vogel himself had been a Provincialist, and had made an effort to find work for the provinces in his schemes. In the first instance, they had had the recommending of railways and of immigration also. But Vogel had been impatient with their caution in asking for immigrants and had left them out of his remodelled schemes in 1871. Next session there had been a good deal of criticism of the immigration conducted by the General Government, and the Ministry had even been turned out for a few days. In 1873 Vogel returned to the idea of co-operation with the provinces, proposing to leave local works to them and to give them strictly limited borrowing powers for that purpose. But the Empowering Bill was thrown out by the Legislative Council, which disliked all this wholesale borrowing and had always disliked the provinces. Without power to borrow, even the stronger provinces were limited in their effectiveness, though Otago and Canterbury were in funds at the moment, owing to the land boom. But the minor provinces, and even Auckland, where the Thames gold rush had been followed by the usual reaction, had become mere pensioners of the General Government. It was a most unwise moment for the Provincialists to obstruct yet another proposal of Vogel's for lightening the burden of the railways. He suggested that 3 per cent. of the lands of each province might be selected as State forests, the ultimate proceeds of their exploitation going in reduction of the public works loan charges. The old cry "Our lands in danger" was raised. Vogel had clearly not been contemplating any revolutionary change, for Westland had been given provincial status as from January 1st, 1874. But he had warned the provinces in 1870 that he thought public works and immigration more impor-

tant to the colony than provincial institutions, and he was now convinced that they could do nothing to help, but could merely hinder his policy. He at once brought forward, and carried by a large majority a resolution in favour of the abolition of the Provincial Governments of the North Island, and when in 1875 the Bill was laid before the House it was found—as indeed had been generally expected—that it applied to the whole colony. There were weak provinces in the South Island as well as in the North, and they had dragged the stronger provinces down with them.

Only Otago and Auckland opposed abolition. Otago had always regarded its institutions with peculiar Scottish pride, and strove in the last resort—not, it must be admitted, with an air of great conviction—to be constituted a separate and independent colony. Auckland had less reason to be proud, but it had a rooted dislike of Wellington rule, and it rallied behind Sir George Grey, who emerged from his retirement to defend the provincial institutions he had created. Otago and Auckland between them contained more than half the colonial population ; but they were under-represented in the House, their own people were not entirely united, and they admitted that radical reform was necessary. They fell back, rather hesitantly, upon the idea of two island-provinces, with enlarged powers, which amounted to denying all the progress of the past ten years. The abolition of the provinces on November 1st, 1876, was undoubtedly in accord with the prevailing political temper of the colony.

Abolition had become inevitable : the financial helplessness of the majority of the provinces had made it so. But it was by no means an unmixed blessing. The whole question had been treated too much as a mere party issue. The constitution had never come out of politics : except during the stress of the Maori War, there had always been Centralists and there had always been Provincialists, each party

eager to make difficulties for the other. In the absence of the legislative safeguards of a federation, the Centralists, possessing the power of the purse, were bound to beat the Provincialists in the end and likely to annihilate them. The compact of 1856, the foundation of the colonizing work of the provinces, was probably a wise measure ; but its equity was upset by the Maori War, which hampered the Provincial Governments in Auckland, Wellington, and Hawke's Bay and crippled Taranaki permanently. The New Provinces Act was a party triumph for the Centralists, who did not always admit their responsibility for the weaklings they brought into existence in Marlborough and Southland. Thus it was possible to represent the abolition of the provinces as being in itself a financial reform. It might be that the subsidies promised to the local bodies which were to replace the provinces were on too generous a scale : on the other hand the glaring inequalities of the provincial system would be done away with and the Colonial Treasurer would no longer have year after year to provide out-relief for these " nine sturdy mendicants." It was indeed at first proposed to continue the localization of the land revenue, but it was heavily burdened with various charges, and in 1877 was assimilated to the ordinary revenue of the colony.

These financial considerations had all the more weight since many provincial functions had now been absorbed, on the one hand by smaller local units, on the other by the General Assembly : except in Otago and Canterbury, the Provincial Governments had ceased to take much part in the work of colonization. The improvement of communications first by steam, then by telegraph, now prospectively at least by rail, had helped to make provincial governments appear a luxury rather than a necessity. Unfortunately amid all this financial confusion and party strife the question whether decentralization might not still be better suited to New Zealand conditions



than centralization did not receive the consideration it merited. There was a general feeling that provincialism meant too much politics, and that nine training colleges for politicians were an unnecessary extravagance for so small a colony. But whether New Zealand has been better governed since abolition, whether it was good that the General Assembly should have the responsibility for every public work of any size, whether the counties which were substituted for the provinces were in fact adequate local units—these are different questions, and he would be a bold man who answered them with a confident affirmative.

Another factor undoubtedly contributed to the abolition of the provinces. Provincial politics were small in scale, but comparatively democratic in spirit. The elective superintendency, for which each elector had only one vote, was the most democratic office in the colony; and certain superintendents, notably Macandrew in Otago, had learnt the art of making a broad popular appeal. For this reason provincial institutions had never been much liked by Conservative opinion. In recent years Conservatives had had a more definite reason for dissatisfaction. There had arisen in Otago a party with a definite dislike of the great pastoral runholders, and anxious to deny them compensation if their run were proclaimed into a "hundred," the ordinary method in Otago of opening land for sale. The General Assembly, which had always left the initiative in land legislation to the provinces, was induced in 1869 to break this rule and intervene on the side of the runholders. This particular controversy was settled by a compromise in 1872; but there were signs in Canterbury also that the Provincial Councils might not be so friendly to the large landholders as the General Assembly. In the interests of their own security they took the abolitionist side—though the security did not last long.

In view of these facts it is not altogether surprising

that the first political development after abolition was the emergence of a Liberal party in the General Assembly. The Provincialists under Sir George Grey and Macandrew formed the nucleus of the party: it was soon joined by others, notably Ballance of Wanganui, an abolitionist with liberal views on the land question. In the summer of 1876-7 these men and Robert Stout of Otago, an able young opponent of abolition, undertook the first campaign of democratic propaganda throughout New Zealand. Their eloquence made a great impression, and in October 1877, after forcing modifications in the chief measure of the session, the Education Act, they turned out the Government.

Vogel had gone home to England in 1876 as Agent-General: the dispossessed Premier was Atkinson of Taranaki, a keen debater and a strong personality but without the popular appeal of Vogel or of Grey. But Sir George Grey, who now became Premier of the colony of which he had twice been Governor, was not the man to inaugurate a more democratic régime in New Zealand. He was as autocratic as ever, but his old intellectual power and practical capacity had been warped by the quarrels which marked his second Governorship: the abler his colleagues, the more difficult they found it to work with him. His majority was too small to enable him to carry through any radical reforms. His Native Minister was not respected by the Maori, and the plans of his Minister of Public Works, Macandrew, were framed with that unlimited optimism which is often miscalled vision. His Government was sorely weakened in 1879 by the resignation of Ballance and Stout, and it was beaten on a motion of no confidence. Grey obtained a dissolution, and came back stronger, in spite of the fact that the boom had now collapsed. But he was not strong enough to avoid defeat, and had to give way in October to a new Government headed by a capable and experienced Canterbury member, John Hall.

It was this Government which had to begin counting the cost of the public works boom. The population of the colony had increased from 248,000 in 1870 to 485,000 in 1880: the public debt had increased from £8,000,000 to £28,500,000. This was double the increase that Vogel had envisaged in the Public Works Budget of 1870. Plausible reasons could be assigned for the excess. Atkinson in 1877 had pointed out that whereas in 1870 one-half of the total revenue went to pay permanent charges, in the current year only one-third of the revenue was required for that purpose. It was no doubt to be expected that costs should be underestimated and it was more economical to complete works at more than the estimated costs than to leave them uncompleted. Nevertheless the policy itself tended to raise costs and to promote boom conditions in which contact with economic realities was often lost. It is impossible not to share the doubts of Dr. J. B. Condliffe, in his penetrating study *New Zealand in the Making*, whether railway construction in the South Island particularly was not pushed on too fast in this first decade. As has frequently been remarked, many of the South Island branch lines have never paid interest on their construction costs. It is not quite fair, on the other hand, to blame Vogel for these mistakes of policy, in view of his repeated insistence on the need for safeguards. He made mistakes, no doubt: he never staked his political fortunes on the safeguards he suggested and his administrative ability fell short of his political imagination and financial skill. But it is difficult to avoid the conclusion that the colony as a whole must share the responsibility. Log-rolling was by no means abolished when the provinces were abolished: the main preoccupation of many members of the House of Representatives was to get what works they could for their constituencies. The colony got its works at a heavy cost not only in money but in political morality.

Yet this decade had been one of progress in many departments of economic life. The number of sheep in the colony had been 9,700,000 in 1871: though wool prices began to fall in 1873-4, it was 12,200,000 in 1881, and at the height of the boom in 1878 had been nearly a million more. In the South Island the industry had reached its limit of extension: if anything perhaps the land was overstocked. At the same time the area of land under cultivation had increased from 1,200,000 acres to 5,200,000. This betokened a very desirable extension of sown grasses: it had, however, its undesirable side in the aggregation of land in large pastoral freeholds—a natural but unfortunate accompaniment of the land boom. Some large landowners in Canterbury, and to a less extent in Otago and other provinces, were indeed turning to cereal-growing, which had been facilitated by the improvement in transport due to the public works policy. The yield of wheat trebled during the decade, exceeding seven and a half million bushels in 1880: of this crop more than three million bushels were exported. It looked as if wheat might compensate for the steady decline in the gold export. Two important shipping companies—the New Zealand Shipping Company and the Union Steam Ship Company—had been founded; there had been developments in commerce, in banking, in coalmining, in secondary industries using raw materials of local production. These economic changes, coupled as they were with the passage of the first national Education Act and the establishment of the New Zealand University, marked a real advance towards the still distant goal of national maturity. But this rapidly developed economic and social structure was to be put to a severe strain in the long years of falling prices and crushing burdens of indebtedness that followed the boom.

Hall remained Premier until 1882, when he was succeeded first by Whitaker and then by Atkinson; but Atkinson held the most arduous office, the

Treasurership, from 1879 until his fall in 1884. He had been a member of Weld's "self-reliant" Ministry, but his powers had first been appreciated when he led the house in Vogel's absence and had charge of the Abolition of Provinces Bill. His association with the brilliant and spectacular Vogel had been surprising. With his abruptness, reserve and dislike of display, popularity was unlikely to come his way; but his fighting spirit, his blunt honesty, and his critical acumen dominated Parliament and won him general respect in the country. He came into office to find a deficit of nearly a million and large loan commitments entered into although a guarantee had been given to the London money market to raise no new loan until September 1879. A loan of £5,000,000 was now floated, not without difficulty, and financial collapse was thus averted. Customs and stamp duties were increased, and the land tax Ballance had imposed was replaced by a property tax. A little later civil service salaries and subsidies to local bodies were reduced. By such means financial equilibrium was maintained; and the Government showed that its watchword was not mere negation by taking over two political reforms that had been on Sir George Grey's programme. One of these measures made parliaments triennial, the other established manhood suffrage, for the franchise of the Constitution Act, based on the idea that a small property qualification was within easy reach of all, no longer applied to the conditions, and nearly half the adult male population was without a vote. It was not the last occasion on which a New Zealand Government disarmed its opponents by appropriating their measures.

The Government was not so successful in the field of native policy, though fortunately its conflict with the Taranaki orator and prophet Te Whiti did not lead to the shedding of blood. But its fall was not so much due to errors of policy as to the return of Vogel. He had resigned the Agent-Generalship in

1880. He had tried to enter Imperial politics, but had come too late for the Disraelian era to which he belonged, and had failed. He had now returned to New Zealand on business and disclaimed any desire to re-enter politics. But the call of politics was too strong. His name was associated with the auspicious beginnings of the public works policy, not with its inglorious end. It was associated also with the ending of just such a period of depression and gloom as had lately been vexing the country; and the difference in the circumstances was not unnaturally overlooked. The 1884 elections were a triumph for him, although the dividing line between parties was not very clear cut, and it was deemed advisable that he should merely be Treasurer and Stout Premier in the Government that resulted. The Stout-Vogel Government passed some useful measures. It gave the country a national but decentralized hospital and charitable aid system, and increased the powers of local bodies. Ballance, Minister of Lands, encouraged closer settlement by new tenures—grazing-run leases for areas less than 5,000 acres with a term of twenty-one years and a right of renewal, "special settlements" to be taken up by associations of settlers on the deferred payment system or alternatively on the "village-homestead" system. But the attempt to apply the old remedy of public works as a cure for the depression failed. Vogel added £4,500,000 to the colonial debt in three years: at the end of the period the Government went to the country and was beaten. His name had lost its magical association with prosperity; and the rallying cry of Atkinson was "no more Vogelism and extravagance."

After Atkinson's return to office a further instalment of retrenchment was necessary, and the country touched the depths of the long depression. The forces of recovery were silently at work.<sup>1</sup> Mr.

<sup>1</sup> In the period 1882-92, whilst the population of New Zealand increased 20 per cent., occupied holdings increased 35 per cent., cultivation 42 per cent.

Guthrie-Smith, in his *Tutira: the Story of a New Zealand Sheep Station*, vividly describes the fortunes of one pastoral tenant. "The writer of this over-true tale stood with head barely above water on the carcasses of those who had fallen in the fray. . . . They had spent all and gone under, each adding, however, ere financial death took him, his accretion to the coral island, his contribution to the future of the station—one timber, another ewes, another cattle, another rams, another grass-seed, another drainage of swamp land, another fencing, another . . . that team of eight bullocks . . . waggons and all complete. . . . For a couple of seasons the fortunes of the run hung in the balance. It was saved as many another station has been saved in New Zealand—by the process of sitting tight, by strict cessation of expenditure. Items such as interest, rent and shearing expenses, were irreducible, but stores were cut down to a minimum; . . . then and for years afterwards the joint personal expenses of myself and partner were under £60 a year." In 1886 wool rose 2d. a lb. "Once again we began to improve. They were improvements done in a very different manner to the reckless, haphazard system of the past." This is so good an example of the processes of economic readjustment that it can hardly be doubted that by such means many other sheep runs gradually improved their efficiency, lowered their costs, and began once again to pay their way. There was, however, one new factor which made a great contribution to recovery. In 1882 the first cargo of New Zealand frozen meat was safely landed in London. The past generation had seen a rise in the standard of living in Great Britain, and an increased demand for meat and dairy produce, with the result that prices rose and experiments in the preserving of these perishable foodstuffs were greatly stimulated. The success of refrigeration was a great boon to the New Zealand sheep farmer. Hitherto there had been only the limited local market for meat: his

only exportable products, besides wool, were pelts and tallow—neither of them of first-rate importance. Naturally the proper technique had to be acquired before the new industry could show its full potentialities, but that it had potentialities was immediately shown. What is more, the new process of refrigeration could be applied to dairy produce as well as to meat. Dairying in New Zealand had been restricted by the smallness of the demand, though its suitability to the country was clear. There were not the herds of cows to produce the milk as there were the flocks of sheep to produce the meat. But from the time when two boxes of butter were put aboard along with the trial shipment of frozen meat the development of yet another export industry may be said to have begun.

The foundations of recovery were not however visible as yet to the people of New Zealand generally. The benefits of the new industries went chiefly to the large sheep owners, if not to the financial institutions. For those who had bought land in the boom had been ruined in large numbers by the collapse in prices. Their mortgagees, in many cases banks or the financial institutions known as stock and station agencies, had foreclosed. The land was in one sense better in their hands, for they had at least some command of capital: it was one of them, the New Zealand Loan and Mercantile Agency Company, that financed the first shipment of frozen meat. Yet frozen finance obstructed the path of frozen meat. Capital and credit were needed if these large holdings were to be profitably used, and credit was hard indeed to come by. Vogel considered the idea of supplying State credit to farmers, but only to reject it. In some cases, notably in the back country of Otago and Canterbury, there was actual deterioration of the land on account of the depredations of the rabbit, which had to be combated with more energy and expenditure than half-submerged runholders could then command. All these events caused natural



irritation among the landless rural population, who saw land, often admirably adapted for closer settlement, locked up in large holdings and not even profitably employed. The cry of "the land for the people," which had been heard in Otago twenty years before, began to be heard again.

The position in the towns was no better, perhaps worse. As always, they depended mainly on the staple rural industries, now in the grip of financial stringency, without money to spend. Urban industries had, as we saw, been begun during the boom, and many of the assisted immigrants had been led to expect employment in them. Hard hit by the bad times, these industries demanded tariff protection. The collapse of the boom, the decline of public works and of building, had caused severe unemployment—particularly bad in 1879–80 in Christchurch, in 1885 in Auckland and Dunedin. The Government, hampered by its own financial difficulties, could do something to relieve, but little to eradicate the evil. When in 1887 an exodus began to Australia, where there was a great building boom, Atkinson welcomed it. It was indeed a testimony to the fact, which had already been established by the gold rushes, if not before, that Australia and New Zealand at this stage were not entirely independent economic units. But the fact that in 1888 there was an excess of departures over arrivals of 9,175 hurt the pride of the colony and was remembered against the Government. Another evil fruit of the depression was the employment, under a sub-contracting system, of women and girls at starvation wages in the clothing trades. This was denounced by a well-known Presbyterian clergyman in Dunedin in 1888, and in January 1889 the matter was taken up by the *Otago Daily Times*. The incident revealed a strong current of sympathy with the hard lot of the working class, and the Government was obliged to appoint a Commission. The majority report, that sweating in the ordinary sense of the term did not exist, was accompanied by

constructive recommendations which showed better the real trend of public opinion and foreshadowed the labour legislation of the 'nineties. These years were also, understandably enough, years of labour unrest. Trade unionism had slowly taken root in New Zealand. In the 'fifties and 'sixties wages were high: the path to economic independence was comparatively easy. In the 'seventies many unions were in existence, and there were strikes, but there was no deep-seated unrest. After the collapse of the boom, however, the familiar features of industrial depression, which many of the men thought they had left behind them for good, reappeared: there was for the first time an urban working class without apparent hope of bettering itself except by the methods of corporate action learnt by hard experience in the Old World. Finance was a stiff hurdle: but some unions surmounted it and often no doubt the spirit lived on even when the organization died. In the late 'eighties unionism was spreading to the ranks of the unskilled. It even had affiliations with the Australian movement, though these brought it to disaster in the first great labour crisis in New Zealand, the great maritime strike of 1890. Many unions were involved in the failure. Yet it was not wholly a failure: for the collapse of the strike swung working-class opinion against Australian affiliations and in favour of political action at home. Out of that change of opinion came the Liberal-Labour alliance which at the elections of 1890 won a momentous victory.

The last three years of Atkinson's Government were difficult indeed. He kept an even keel financially, but at great cost to his party. In 1888 he conceded one of the popular demands, tariff protection; but the tariff, which protected boot and shoe manufacturers, clothiers, machinery makers, and brass and iron founders, had to be carried with the aid of Opposition votes. Atkinson viewed political questions empirically and sacrificed none of his

principles in abandoning free trade. But many of his party had convictions and felt obliged to defend them even at the cost of splitting the party. It was in any case losing its grip. Hall remained in the background as an adviser but his health had forced him to give up active politics: Whitaker, the most experienced and astute of all New Zealand politicians, was now a very old man: Rolleston, an excellent Minister of Lands and a man of intellectual capacity and liberality of outlook, was not a member of this Ministry: too much of the burden fell upon Atkinson, and in 1890 his health cracked under the strain. It was not however merely a party that was thus losing its hold on power: it was in a sense a governing class, which has not inaptly been called "the landowning oligarchy." It was popularly supposed, with how much justification it is difficult to say, that Governments were too much influenced by the big landowners and certainly members of Governments were as a rule men of the same type. They were men of education and intellectual capacity above the average. They had acquired a good understanding of the colonial outlook and problems; but they stood a little apart from the ruck. They had not, it is true, been able to prevent Liberal Ministers from holding office or Vogel from chalking out a path for himself. But though their hold on political leadership had not amounted to monopoly, they had broadly speaking dominated politics ever since the inauguration of responsible government. Now prolonged economic depression had shaken their hold. In 1889 one of the symbols of their power—plural voting—was swept away. In the 1890 elections democracy came into its own. Landowning itself was to become a bulwark of democracy. The soil of New Zealand could grow English grasses but not English squires.

## CHAPTER V

### THE AGE OF LIBERALISM

THE democracy had voted at the elections of 1890 for a party whose programme expressed opposition to the big landowners and promised better conditions to the urban workers. Its leader, Ballance, who became Premier in January 1891, has sometimes been underrated, no doubt because he was somewhat lacking in self-assertion and in the arts of popularity. He was however well fitted to lead a party and a Ministry which contained a considerable diversity of talent but hardly any administrative experience. He had good judgment and the gift of conciliation ; he was a sound financier ; and he held liberal views on the land and native questions. He trusted his colleagues and was trusted by them in return ; and his lack of self-assertion did not mean lack of firmness.

The most distinguished intellectually of his colleagues, and the philosopher of the party, was Pember Reeves, Minister of Education and of Justice. Reeves was a New Zealander by birth, the first New Zealander to make a real mark on the political history of his country. A man of high culture and literary gifts, he had spent some years in England and had come under the influence of Fabian Socialist ideas. " I define myself," he told Siegfried some years later, " as a socialist, or rather as a State socialist, in the sense that I accept with joy every increase in the powers of the State and I have a rooted distrust of financiers and capitalists. But . . . my socialism is experimental and practical." Though he appeared to be less like a representative of labour than any other member of the Cabinet,

he enjoyed the confidence of the trade unions, and in Christchurch, his constituency, collaboration between the trade unionists and the Liberals was particularly close. Reeves's abilities both as a speaker and as an administrator were of a high order. But in spite of his remarkable qualities he was not a popular man. By temperament he was inclined to melancholy, and the first necessity for a popular leader in a new country is optimism. By education he belonged to the class whose political dominance he had helped to overthrow. He was for the people but he was not of the people.

The real democratic leaders were Ballance's Minister of Lands, John McKenzie, and his Minister of Mines and Public Works, R. J. Seddon. They were both men of giant strength of frame and personality, and both at times were tempted to use it like a giant. John McKenzie came of Highland crofter stock and had been a member of the Liberal land party in the Otago Provincial Council. His feelings on the land question were of passionate intensity, but the passion was based on knowledge. He possessed the entire confidence of the small farmers, and what bold legislation and vigorous administration could do to shake the domination of the big landowners and to promote closer settlement he could be relied upon to do. Seddon, the son of a Lancashire schoolmaster, represented a more limited class, the mining community on the West Coast of the South Island. But time was to show that no one understood the New Zealand democracy as well as he.

The programme of the Liberal Ministry was based on a careful analysis of the needs of the colony ; but as it developed it showed even more clearly what had perhaps been implied rather than expressed at first, a faith in the efficacy of State interference and State action. It might naturally be supposed that this was due to Reeves's theories, but this is an inadequate explanation. After all Reeves was a New Zealander,

and his sympathy with State Socialist ideas must surely have been determined, as the measures of the Liberal Ministry were determined, by the historical circumstances and the political presuppositions of New Zealand. From the beginning New Zealand had been accustomed to public ownership and disposal of unoccupied lands and public control of immigration. Even those who had come to seek their fortune at their own expense, like the gold-miners of the 'sixties, had had to look to the Government for roads and water-races. The whole community, as was explained in an earlier chapter, had looked to the Government for railways. Moreover, the Government had become by far the greatest employer of labour. It is true that the public works were mainly carried on by the contract system and that the railways had in 1889 been handed over to the management of Commissioners; but the Government could not dissociate itself from responsibility. After all it was the Government that had raised the necessary money. There seemed no reason in logic or experience why the Government should rest content with what it had already done if other practical problems demanded action. Vogel had recognized this, and his establishment of the Government Life Insurance Department in 1869 and of the Public Trust Office in 1872 showed that he thought the State might assume other functions besides those of opening up the country. Given the circumstances of New Zealand, the opponents of State enterprise appeared to be the real doctrinaires and its supporters the practical men. It is perfectly true that there was in New Zealand in the 'eighties a good deal of interest in Socialism and in the single tax theories of Henry George, and this must not be neglected as a factor in the growth of the Liberal party; but the average New Zealand elector, one may be sure, voted for the party as the instrument of a practical programme and not as the embodiment of a principle or a faith.

The first important policy measure of the Government was Ballance's Budget, which proposed to replace Atkinson's property tax by a graduated land and income tax. The property tax was unpopular with the small farmers as falling on their improvements and with the trading community as being equally severe in bad years and in good. The principle of graduation was alarming to the wealthy man and to the landowner in particular, but the graduation was, according to modern standards, by no means steep. The object of the tax was underlined by the exemption of land with an unencumbered value below £500 : ten years later Reeves was able to say that six-sevenths of the landowners of New Zealand paid no land tax at all. The tax began to be progressive at the value of £5,000, whether the land was mortgaged or not, for heavily-mortgaged large estates were a special object of attack. The income tax was similar in principle. It remained true, of course, that the bulk of the revenue was raised by indirect taxation. Ballance's financial proposals seem in retrospect more noteworthy for their caution than for their radicalism.

In addition to the Budget a Factory Act, taken over from the previous Government and establishing for the first time an effective system of factory inspection, a Truck Act and an extension of the Employers' Liability Act were passed ; but the more novel measures of the Government, such as a Shop Hours Bill and a Land for Settlement Bill with compulsory clauses, struck a political obstacle in the Legislative Council, filled with nominees of the previous Government, some of them appointed since the elections. That Government had itself admitted that life nomination was not a satisfactory basis for the Council, and Ballance was able without much difficulty to pass a Bill altering the tenure of future appointees to seven years. But the immediate problem remained. It was clear that the Governor would not lend himself to any attempt to swamp

the Council, and to a man of Ballance's moderation such action was doubtless repugnant in any case. After a successful appeal by Ministers to the Colonial Office, the Governor reluctantly agreed to the nomination of twelve new members. Four of the twelve were working men. It is impossible to account for the attitude of the Council and of the Governor except on the assumption that they took altogether too seriously the possibility of imposing a check on the advance of victorious democracy. The Council held up much of the Liberal legislation for one Parliament, but in the long run their action probably strengthened the Liberal cause.

This Parliament was not barren in legislative achievement, as will appear, but the hold up of legislation lends emphasis to certain administrative changes carried out by the Ministry. Two new departments—Labour and Agriculture—were set up, headed respectively by Reeves and McKenzie. The immediate purpose of the first was to relieve unemployment by establishing labour bureaux in the centres of population to facilitate the transfer of labour to meet demands in the country districts; but it became ere long the essential organ in the preparation and administration of the code of labour laws which were to make the colony for a time deservedly famous. The purpose of the Department of Agriculture was, broadly speaking, educational. It was to pool the experience of farmers not only within but outside New Zealand and to place this at the disposal of individual farmers by instruction, demonstration, and advice; in other words to work consciously and continuously for the improvement of methods of production. It was perhaps a natural outgrowth of the earlier attempts, by a system of inspection, to eradicate pests and diseases; but it was significant of the abandonment of *laissez faire*. A third administrative experiment was the replacement of the old contract system on the public works by the letting of contracts to groups of workmen,



Seddon, the Minister responsible, was influenced partly by the evils of sub-contracting, partly by his experience of the success of such working parties on the Westland goldfields. It was begun on a small scale, but was steadily extended. The only extension of the functions of the State lay in the direct purchase of the material by the Department of Public Works, but it was a characteristic attempt to use the machinery of the State in the interests of the working man rather than of the man of wealth.

An election was drawing near when Ballance's health gave way under the strain of office and he died in April 1893. Who was to succeed him? The most experienced of the Liberal leaders was, beyond question, Stout, but Stout was not in Parliament and his freethinking opinions and outspoken scorn of popularity had made him many enemies. The choice of the Cabinet was Seddon, and after an appeal to Sir George Grey, whom he always regarded as his political preceptor, Seddon accepted the commission of the Governor. He had already won wide popularity in the colony: it was natural enough that the Minister of Mines and Public Works should go on circuit from time to time, and Seddon had already acquired the habit, which he never lost. He was known in Parliament as an indomitable fighter and as a man who, though without the gift of eloquence, was thoroughly conversant with the art of parliamentary management. But his opponents still thought of him as a reckless demagogue and even his friends probably underrated his potentialities. He came into power in peculiarly favourable circumstances, with a ready made political programme and an obvious election cry. In his first political manoeuvre, indeed, he failed. He sent up to the Council a Women's Franchise Bill and a Local Option (Liquor) Bill, without any real desire for the passage of either but with the intention of throwing upon the Council the odium of their rejection. The Council perceived his purpose and passed the Bills,

New Zealand thus became the first community in the British Empire to enfranchise women, though the names of Hall and Ballance rather than of Seddon are most closely associated with the reform. Seddon's miscalculation, however, had no serious consequences for himself, and his Government emerged from the elections of 1893 with a considerably increased majority. It was generally agreed that the women's vote had had little, if any, effect on the result.<sup>1</sup>

1894 was, as Dr. Condliffe says, the *annus mirabilis* of New Zealand legislation. It saw the passage of a more radical Factory Act, with the result, according to Reeves, that "by 1896 bad sanitation and excessive hours had been almost hunted out of factory life." It saw also the acceptance, at long last, by the Legislative Council of the Shops Act and the famous Industrial Conciliation and Arbitration Act. The most obvious purpose of this Act was to replace industrial strife such as that of 1890 by peaceful negotiation under the auspices of the State. It set up District Boards of Conciliation on which employers and employed were to be represented, with an independent chairman, and in case of failure provided for compulsory reference to a Court of Arbitration, with a Supreme Court Judge as President, an assessor elected by the employers of the colony and an assessor elected by the trade unions. This system of conciliation and arbitration was not however the only purpose of the Act. It sought to encourage the growth of trade unions in the belief that they were the best safeguard against sweated labour. Indeed it took cognizance only of disputes between unions of workmen and employers or unions of employers. "The unorganized labour," said Reeves, "is presumed to be content. If it becomes dissatisfied, let it form a union and then the State will protect it." This attitude, which was quite sincere, secured for

<sup>1</sup> It was not until 1919 that women were eligible to the House ; and not until 1933 that one was elected.

the Bill the support of the trade unions, whom Reeves had been careful to consult all along. But the credit for the passage of the Bill belongs very definitely to the Minister himself. It had twice been rejected by the Legislative Council, mainly on account of the compulsory clauses, which Reeves believed to be essential. The public attitude, he wrote in later years, was one of apathy. "Most people thought that, though it might become law, very little would be heard of it afterwards." Reeves was determined to prove them wrong.

In the same session important new departures were taken in land policy. Already, in 1892, McKenzie had secured the passage of a comprehensive Land Act. This measure at last put an end to the diversities remaining from the days of provincial land legislation. An attempt had been made at the same time to shift the emphasis from freehold to leasehold and thus conserve the remaining lands of the Crown. But the compromise tenure which McKenzie was obliged to accept—a 999 years' lease without re-valuation—was a bad bargain for the State, only to be justified by the fact that it left the farmer's capital available for improvements, and thus promoted settlement by men with small command of capital. In any case alternative tenures which gave the right of purchase after a certain number of years remained. The spearhead of McKenzie's attack was really directed not against the freehold tenure but against the large freeholders. The area of land that could be acquired by one individual was limited to 640 acres of first-class or 2,000 acres of second-class land; and there was a strict obligation to reside and to improve. Such provisions, vigorously administered, might put a stop to the acquisition of large estates; but McKenzie was also anxious to break up as far as possible the large estates that already existed. By 1892 13,600,000 acres were held in freehold, and of this area rather more than 7,000,000 acres (along with

3,500,000 acres of leasehold) were in the hands of 584 holders<sup>1</sup>. These figures, it is true, did not disclose the fact that many of these holdings had come into the hands of financial institutions during the depression ; and that these institutions only did not sell because they could not. Nevertheless the problem they disclosed was a real problem. The first move against these large estates was the graduated land tax ; the second was State repurchase. McKenzie in 1892 secured power to repurchase, but without compulsion and with a restriction to £50,000 a year. So limited, the power was almost useless. A clause in the Land Tax Act, which as a check upon the owner's assessment empowered the State to take over the land at his valuation, if called upon, gave McKenzie his chance. The trustees of the Cheviot estate in North Canterbury threw down the gauntlet and McKenzie, assured that he was on firm ground, raised the necessary £260,000 and took it up. The estate comprised 84,000 acres eminently suited for closer settlement. With the prestige of this transaction and of electoral success behind him, McKenzie was able to secure his compulsory clauses in 1894, and the sum that might be applied to repurchase in any one year was increased to £250,000.

In the long run, however, the big landowner could only be removed from his dominant position if the small farmer could make a success of his farm. The trend of events was in favour of the small farmer, but there remained one serious difficulty, shortage of capital. Investors had been bitten by the collapse in land values in the 'eighties and were not unnaturally shy ; the banks indeed were calling in their loans ; and in the matter of credit the small man desirous of taking up land was naturally handicapped.<sup>2</sup> In Ballance's time the financial

<sup>1</sup> These figures are said by Reeves to be exclusive of " the great pastoral leases, the fee-simple of which has been retained by the State."

<sup>2</sup> The best mortgages were at the rate of 6-8 per cent., though they were sometimes as high as 9-10 per cent., and those unable to offer first-class security had to pay higher rates.

policy of the Government had been directed to the avoidance of borrowing ; but Ward, his successor as Treasurer, was a man of less cautious temperament, and there was no real reason why borrowing should not now be resumed for productive purposes. Money was cheap and the credit of the colony was good. What purpose could be more productive than the promotion of closer settlement? The Advances to Settlers Act 1894 was accordingly passed. It authorized the raising of £3,000,000 for the purpose of making advances, which were not to exceed £2,500 to any one borrower. Through the State as intermediary, the London money market had been called in to redress the balance in favour of the small settler.

It might be supposed that these various measures were sufficient for a session's work ; but in addition the Government had to deal with a serious crisis not of their seeking. The depression of the 'eighties had not yet been liquidated. In particular, the Bank of New Zealand had for years been involved in serious difficulties. Thanks to the existence of subsidiary landholding companies it was possible to issue specious balance sheets, but the general banking difficulties of the early 'nineties and the Australian crisis of 1893 forced the Bank eventually to admit that its position was quite untenable. In June 1894 this was disclosed in confidence to the Colonial Treasurer. Ward and Seddon were faced with a heavy responsibility, and the responsibility fell more heavily upon Seddon. Ward was a business man, and the business man's point of view came naturally to him. Seddon had no experience of such matters : he was the representative of the small men, who had no reason to love the Bank of New Zealand, and he knew well enough that it had been accused of being hand in glove with his political opponents in the 'eighties. Yet in this crisis he rose entirely superior to party and to personal limitations. He perceived that a bank which not only kept the account of the

Government but had 35,000 depositors could not be allowed to fail ; he consulted the Opposition leaders, and he turned to his rival, Stout, for help in the drafting of the necessary Bill. The fruit of these consultations was a Bill, passed through all its stages in a single night, giving a Government guarantee to an issue of shares up to £2,000,000, certain rights of control being given in return to the Colonial Treasurer. At last Seddon's opponents in Parliament and in the Press perceived that he had in him the makings of a statesman.

The years after 1894 were years of anti-climax. The legislation of that year had to be set to work, amended, supplemented. The machinery of the Conciliation and Arbitration Act was not in operation until about the end of 1895. There were preliminary difficulties also with the advances to settlers scheme, which found itself embarrassed with unremunerative money. The Shops and Shop Assistants' Act, which of all the labour laws had aroused the fiercest opposition, was not according to Reeves really effective until an amending Act was accepted by the Legislative Council in 1895. A comprehensive revision of the tariff was carried out in the same year : on the one hand there was a move towards a "free breakfast-table," on the other towards an extension of protection to manufactures. The banking legislation of 1894 proved to be only the beginning of what was needed : further inquiries led to the formation of an Assets Realization Board and to the absorption of the Colonial Bank, and the further legislation that was necessary was more controversial than that of 1894. Just at this juncture came the resignation of Ward, whose firm was obliged to go into liquidation. Seddon took over the Colonial Treasurership himself. In 1896 he allowed Reeves, the ablest of his colleagues, to go to England as Agent-General ; and, once again, he himself took the Ministry of Labour. It was not at a time of political tranquillity that he undertook

these additional burdens : on the contrary, quite apart from the difficulties already mentioned, he had to face a determined agitation from the prohibition party, who were by no means satisfied with the local option law of 1893.<sup>1</sup> How far it is true to say that Seddon himself had kept a public house is an arguable point, but at any rate he had no love for the Prohibitionists nor they for him. Yet they were mostly Liberals in politics and their political leader was Stout, now back in Parliament and the most formidable debater in it. An election was due towards the end of 1896, and Seddon had to decide the nature of the issue to be placed before the electorate. "The ground," says Reeves, "was moving under his feet : it was time to do something big." He decided to woo the electors with an old-age pension scheme, which he laid before Parliament not long before it dispersed. It was a stroke of genius : nothing could have been better calculated to put opponents at a disadvantage and to transcend party divisions with an appeal not so much to theoretical State Socialism as to practical humanity. Seddon returned from the elections with a reduced, but still a comfortable majority.

After the elections Seddon's business was to transform an electoral manifesto into a workable scheme. It was precisely here that the difficulty had been thought to lie. Atkinson had mooted a scheme of contributory pensions in 1882, but had entirely failed to convince the country of its practicability. In the early 'nineties popular interest had been aroused by such things as the Danish old-age pension law of 1891 and the criticism by the permanent head of the Health Department of the system of outdoor relief ; but Seddon's own Treasurer in the Budget of 1894 had conveyed the impression that a solution of the financial problem was still to seek. Seddon, however, had now had

<sup>1</sup> It was revised and improved in 1895 ; but the requirement of a three-fifths majority for local prohibition was maintained, and the Prohibitionists strongly objected to this.

detailed inquiries made into the question of cost, and as a result of those inquiries proposed to pay £18 a year, with a decreasing scale for incomes between £34 and the income limit of £52, to men and women over the age of sixty-five. The scheme was to be non-contributory, and after toying with the idea of raising special taxes Seddon had come down in favour of payments from the general funds of the colony. It remained to pass these proposals into law. In 1897 the Legislative Council rejected the Bill. In 1898 both sides redoubled their efforts, and by an extraordinary display of tenacity Seddon succeeded. On one occasion there was a committee sitting of ninety hours and with brief respites for meals Seddon sat through the whole. It was a decisive victory for him, and the political lull which followed was the real beginning of the reign of "King Dick."

The electors had begun by voting for a policy and a party : from now on they voted for a man. When the Chief Justiceship fell vacant in 1899, Seddon offered it to Stout and Stout accepted it—a tacit admission of political defeat. Seddon entirely dominated his Cabinet, even after the readmission of Ward in 1899 : McKenzie, under whom the Lands Department had been an *imperium in imperio*, retired, broken in health, in 1900, and died shortly afterwards. He similarly dominated his party, not entirely to its ultimate good, for as Reeves says he had a propensity for breaking with the clever young men. If however Seddon preferred the ordinary man to the clever man, so did the people, who "saw New Zealand being ruled at last by one of themselves, and relished it greatly." No democratic leader has ever excelled Seddon in making it appear to the people that he was indeed one of themselves and thought as they thought. He held power, as Reeves explains in his brilliant character study in *The Long White Cloud*,<sup>1</sup> "as a result of a long and untiring effort to find out what the people did like and

<sup>1</sup> It appears only in the revised (1924) edition.



then, if it was at all reasonable, to do it for them." If he was a less creative, he was also a subtler politician than Vogel, who was perhaps the first to practise his methods in New Zealand.<sup>1</sup> Vogel sought to catch the imagination of the people by a bold policy appealing to their material interests. Seddon's appeal was at once broader and more individualized. He was too shrewd to neglect the material interests of the people, but he appealed equally strongly to their human sympathies and to their collective pride. At the same time, by his progresses through the colony, he studied its needs and wishes locality by locality and considered not merely the general but the local reactions of public works and other material benefits. Seddon was however more than a mere demagogue. He enjoyed the flirtation that he carried on with his mistress, the people, but he did not allow it to divert him from the business of government. He appeared to greater advantage in the committee room than he did on the public platform. If he sometimes lacked a sense of proportion, he possessed a cool, cautious judgment, a thorough grasp of detail, an immense power of work, and a deep-rooted belief in social reform. Unfortunately, although his mastery of the arts of democratic leadership amounted to genius, the effect on the political education of the people was in some respects mischievous. He was by no means an ordinary man himself, but he succeeded in encouraging the belief that ordinary men were good enough to govern the country. He gave the people public works and other benefits without resorting to extravagant finance, but he conveyed the impression that the public works were a primary and finance was only a secondary consideration. He tried to unify divergent sectional interests into something like a unified national interest but he did so partly by unduly flattering the pride of the people in their

<sup>1</sup> It is interesting to note that both Vogel and Seddon were "gold rush" immigrants.

own achievements. If New Zealand was less progressive at the end than at the beginning of Seddon's régime, it was perhaps partly Seddon's fault.

The political domination of Seddon was, of course, greatly helped by the fact that prosperity had returned to New Zealand. After various ups and downs, world prices began to rise steadily from 1895. Rising prices are more favourable to primary producers than to any other class, and there still seemed to be a relative shortage of livestock products in the export markets. New Zealand was thus able to reap the benefits of refrigeration in full measure. The value of the frozen meat exported, which was more than £1,000,000 in 1893, after the first decade, was over £3,000,000 in 1903: the value of the butter exported rose in the same period from £255,000 to £1,318,000. Wool indeed retained its primacy, in spite of the fact that the trend of wool prices was downward until 1902; but the nature of the sheep industry was changing. "While the small holders who were rapidly increasing and who were responsible for the cross-breeding which was the mainstay of the freezing industry were reaping the benefit, the large holders of the hill country where cross-breeding was not appropriate were struggling against a constantly decreasing income per sheep."<sup>1</sup> Arable farming was also changing its character. The predatory wheat farming of the 'eighties in Canterbury was giving way to more scientific mixed farming, in which wheat played a part but not a predominant part. The general result was a great increase in productivity, more than proportionate to the steady increase in population.

One important corollary of this economic trend deserves attention. The typical mixed farm was of medium size, the typical dairy farm was small; but both were small as compared with the sheep station of

<sup>1</sup> R. O. Buchanan, *The Pastoral Industries of New Zealand: A Study in Economic Geography*.

earlier periods ; and conditions were thus peculiarly favourable for the development of the closer settlement policy inaugurated by Ballance and McKenzie. It has been argued indeed by some modern students of the question that once prices were high enough to cover financial commitments, in many cases heavy, the value of land for closer settlement as opposed to the old style of pastoral farming put a premium on subdivision. This of course blunted the edge of the Liberal measures against the big landowners, but it did not make the policy unsound : a wise man does not attempt to work against economic forces, but with them. Much of the advance of settlement at this period was on lands acquired from the Maori by purchase or lease, and laboriously cleared of bush, in the regions about Palmerston North and Wanganui, and in Taranaki : Taranaki was becoming a great dairying district. But the repurchase policy, which was applied in both islands, was by no means negligible as an aid to settlement. By the end of the financial year 1900-1, eighty-one estates, of a total area of some 330,000 acres, had been acquired and nearly 1,800 leaseholders had been settled on them. Only twice had McKenzie used compulsion, but of course its presence in the background added to his bargaining power. On the other hand the State was the best possible purchaser if landowners wished to sell : McKenzie saw that it paid no more than a fair price for the land, but it could always pay. The amount of land offered to the Government was four times as great as the amount actually bought. As regards the land tax, its burden was lightened by rising land values, and its effect in " bursting up the large estates " was of minor importance. Nevertheless the political power of the big landowners was in eclipse, and the smaller farmers were almost imperceptibly, and as yet unconsciously, preparing to take their place as the strongest force in New Zealand politics. They had much cause to thank the Liberal

Government : it had given them, or at any rate the newer settlers among them, land on favourable terms : it had given them cheaper credit : the dairy industry in particular owed much to the advice of its Department of Agriculture. Its administration was vigorous as well as sympathetic. On the other hand the farmers, now that they were waxing prosperous, had no desire for further experimental legislation. Seddon on the whole suited them very well, and indeed Liberal policy had undergone a subtle change of temper during his régime. The lull in political activity suited both his book and theirs. But sooner or later a realignment of political forces was inevitable.

The prosperity that began with the pastoral industries diffused itself through the others. Indeed one industry, gold-mining, enjoyed an independent revival from about 1900, owing to the extraction from quartz at Waihi by a new cyanide process and to a dredging boom on the gold-bearing rivers of the South Island. The urban workers, who had helped so much to put the Liberal Government in power, were tolerably content, and admitted their indebtedness to Reeves's arbitration system. The Boards of Conciliation, indeed, failed to function satisfactorily owing to the hostile attitude of many employers ; but the Arbitration Court more than justified Reeves's expectations. It dissipated the trade unions' suspicions by an award in favour of preference to unionists in the boot and shoe industry ; on the other hand its Presidents commanded great personal respect, it was careful to consider each case separately on its merits, and it sought always to conciliate rather than to compel. Thus the workmen gained from the improvement in economic conditions without having to strike to secure their gains, whilst the employers, although not altogether reconciled to the arbitration system, were in some degree mollified. The Department of Labour, which had lost Reeves but retained its able permanent head, Tregear, a man

entirely in sympathy with Reeves's policies, also gradually won the confidence of employers. Thus everything tended to increased political apathy and concentration upon material prosperity. The material prosperity had another effect, not always brought out but important nevertheless. It relieved the Government from anxiety as to its finances, and thus enabled it both directly and indirectly through borrowing at low rates on the London market to continue unchecked its policy of development and social reform. The Government never had to face the unpopularity which comes from increased taxation and curtailed expenditure.

In the later years of the Seddon Ministry New Zealand passed another milestone on the road to national self-consciousness and political maturity. In the 'sixties and 'seventies the principle of the political unity of New Zealand had been established beyond the possibility of challenge ; but the problem of defining the relations of this unit to the other units of the British Empire in Australasia had not arisen. It arose when in the later 'nineties the federal movement in Australia was carried to a triumphant conclusion and the Commonwealth of Australia was formed in 1900. There had always, and inevitably, been a certain connection between New Zealand and the neighbouring colonies of New South Wales and Victoria. The connection had been closest in the gold era : in the great days of the Australian goldfields New Zealand had been an important source of food supply, and New Zealand's own goldfields population had come largely from the Australian fields. Both Vogel and Seddon came to New Zealand by way of Victoria. In the time of Vogel's political supremacy New Zealand had participated in Intercolonial Conferences and discussions with a view to commercial reciprocity. In the succeeding decades there is a marked tendency for ideas to pass from one Australasian colony to another on the subjects of land policy, labour laws,

Asiatic immigration : naturally there are individual differences, but the general direction is common to all. The affiliation of the New Zealand trade union movement to Australia before 1890 has already been noted. In the circumstances it was natural that New Zealand should be represented in the federation discussions of 1890-91. Her delegates were men of high political and personal standing ; but only one of the three, Sir George Grey, was a supporter of federation. At this stage, however, the aloofness of New Zealand was no more marked than that of Western Australia. It was in the later stages, when the movement became more and more a popular movement in the Eastern colonies and on the goldfields of Western Australia, that the aloofness of New Zealand became really significant. There were able supporters of federation in New Zealand ; but they entirely failed to rouse the general public from its apathy. What really interested New Zealand was its policy of social reform. It felt that it had taken the lead in that field and had no desire to slacken the pace in order to keep step with Australia. Wheat farmers, manufacturers, workmen feared that they would suffer from Australian competition : those who clearly stood to gain from the maintenance and extension of Australian markets were a much more limited class. The Commonwealth was formed without New Zealand. " Then," says Siegfried, " when all was over, she desired to absolve her conscience, as it were, by justifying to herself her refusal." In 1901 Seddon appointed a Royal Commission to examine the question : it reported unanimously against entering the federation.

Hardly realizing the implications of her decision, New Zealand had clung to her autonomy and asserted her right to develop her own national individuality. It is true that her statesmen were apt to make one reservation. " The whole weight of the argument," Ballance had said in 1891, " is against New Zealand entering into any federation, except a

federation with the Mother Country." Seddon's views on Imperial matters will be discussed in a later chapter, but it may be said here that he was an enthusiastic supporter of Chamberlain's efforts to bring about closer political connection and preferential commercial relations between the self-governing communities of the Empire. Nevertheless—in spite of the sending of contingents to the Boer War—the real significance of New Zealand's attitude was rather that it sought to keep the question of Imperial federation open than that it committed the country to such a measure. In retrospect a writer in *The Round Table* perceived that the real lesson of the Boer War was "not so much that Britain needed our help as that we had forces at our command that were worth giving. . . . Our men had proved their competence in the field and thereby opened up a vista of nationality in which our status should be no lower than that of England herself."

Meanwhile the attention of New Zealand remained for the most part fixed on her internal problems, and the social legislation of the Liberal Ministry which had done so much to give New Zealand a sense of individuality and national pride continued. It was perhaps more self-conscious than it had been in its earlier years, for social students not only in England but in the United States and in Europe had begun to take an interest in these experiments. In some directions, naturally enough, there was a slackening of pace: defects that had appeared in the laws under the test of experience were remedied, and there was a shift of emphasis from legislation to administration. Sometimes, however, the work of consolidation and revision involved important new decisions. A new Factories Act in 1901 for the first time regulated the hours of work of men, limiting them, with certain exemptions, to forty-eight hours a week. The Conciliation and Arbitration Act was consolidated and amended in 1900, in 1901 and again in 1905: among the changes was one, not due to the

initiative of the Government, which tacitly admitted the failure of the Boards of Conciliation and allowed disputes to be taken direct to the Arbitration Court. In 1898 the arrangements made with the Bank of New Zealand in the stress of the crisis were revised, and the State was given majority representation on the Board of Directors, whilst in 1903, when the Bank was in a position to redeem the Government-guaranteed stock, Seddon resisted the pressure put upon him to sever connection with the Bank and allow it to redeem the preference shares held by the Government. These were replaced by new preferred shares to the nominal value of £500,000 and the Government was to share in the Bank's profits. There were also extensions of State enterprise into new fields. Seddon introduced in 1901 an Act empowering the Government to carry on coal mining. One justification for the measure was that the Government, which since 1895 had again been running the railways as a Government Department, might benefit from having its own supply of coal. It was also intended, however, to supply coal to the public in the ordinary way of business. Seddon was personally identified with this measure, for his own West Coast was to be the scene of the mining experiment. The insurance business of the Government was also extended—in 1899 to accident insurance, in 1903, in the face of bitter opposition from the private companies, to fire insurance. It is clear that Seddon had no prejudice against State action—rather the contrary. Nevertheless in all these measures of his it was a question of safeguarding the consumer against exploitation by business combines, real or alleged, rather than of State Socialism in the usual sense of the term. It may be pertinent to remark that Seddon was born and bred in Lancashire, the home of the consumers' co-operative movement.

Another significant group of measures continued the "humanitarian trend" that was evident in the pensions legislation. The education system of New



Zealand owes much to the Seddon Ministry. Under the stimulus of an able Inspector-General of Schools, Hogben, manual and technical education was encouraged by an Act of 1900, and free secondary education was introduced in 1902. Teachers' salaries were improved also, and in 1905 a system of superannuation for teachers was introduced. A number of laws were passed in the interests of women and children; to give merely one example, State maternity hospitals were set up in the four chief centres. Housing also received attention. The more readily no doubt on account of a rising cost of living and a certain restlessness among the urban workers. In 1905 Seddon introduced an Act enabling the Government to build workers' houses, less successful, as a matter of fact, than the Act next year enabling advances to be made to workers to aid them in building houses for themselves.<sup>1</sup> He was preparing a scheme for voluntary national annuities as a supplement to the old age pensions. His hold on the country was confirmed by the elections of 1905, which gave him fifty-six supporters among the seventy-six European members of the House of Representatives. But his Ministry was drawing to an end, because his own strength was ebbing. In June 1906, worn out at the age of sixty-one, he died.

Ward was easily the most experienced of Seddon's colleagues and his natural successor; and the Ministry he formed contained a welcome infusion of new blood. In particular, Findlay, the Attorney-General, was a man of some intellectual distinction, and Ward relied upon him considerably. At the same time Ward was much less fitted than Seddon to hold a Liberal-Labour ministry and party together. He was a good parliamentarian, and he knew how to sway a crowd. But he was cast in a smaller mould than Seddon. He looked, and was, a capable, genial, well-dressed business man but hardly a leader

<sup>1</sup> Characteristically, he also placed the ablest of the younger Labour leaders in the safe seclusion of the Legislative Council,

of the people. He had a quick but rather superficial mind : his Liberalism was sincere and he was loyal to his party's policies, but he could contribute neither a new inspiration nor a dominant personality. The situation which faced him was a severe tax on his political resource. The farmers had begun to agitate against the leasehold tenure and Labour had begun to tire of its alliance with Liberalism. Seddon had dealt with the farmers' agitation by referring it in 1905 to a Royal Commission, but the Commission's report was inconclusive. In 1907 Ward's Minister of Lands, McNab, brought in a Bill which gave tenants under the 999 years' lease the right to purchase the freehold and substituted for that tenure in future a system of thirty-three or sixty-six-year leases with perpetual right of renewal on revaluation ; and by another Bill set aside 7,000,000 acres as a national endowment for education and pensions, subject to disposal on leasehold tenures only. The policy of repurchase was to be virtually dropped as being too expensive now that land values had so much increased ; but the land tax was to be stiffened and precautions against evasion were to be strengthened. This legislation was a bold and ingenious attempt to satisfy the small farmers without alienating the still influential leasehold advocates in the Liberal party. The new tenure was a successful experiment ; but the holders under the lease in perpetuity were not satisfied with the terms of purchase, and the national endowment was more pretentious than valuable, whether as a contribution to its avowed objects or as a contribution to land policy. The land problem would yet bring down the Liberal Ministry either *en bloc* or in fragments.

Meanwhile the attitude of Labour was the more immediately threatening of the two problems. This problem had an industrial and also a political side. The trade unions were ceasing to be satisfied with the arbitration system. That system had developed in an unexpected direction. Not only had the

Court entirely overshadowed the Conciliation Boards: an instrument for the preservation of industrial peace had become an instrument for the standardization of wages and working conditions. The workers had made substantial gains in the early years of the Court's life; but the Court had steadily refused to embark upon the invidious task of bringing about a redistribution of wealth by encroaching upon the field of profits. The more moderate element in the trade unions claimed that the wage awards of the Court were not in fact keeping pace with the rising cost of living; and an increasing element was beginning to listen to propaganda in favour of a redistribution of wealth through Socialism, and to challenge the whole basis upon which the arbitration system rested. The answer to the first was that award rates were minima and were not a true measure of real wages in times of prosperity; the second raised more fundamental questions and could not be answered without revealing the wide gap between the tentative, empirical State Socialist measures of the Liberals and the class-conscious Socialism of the new movement, telling the workingmen that "they had nothing to lose but their chains and that they had a world to win." These doctrines were first heard among the coal-miners on the West Coast of the South Island, living as miners do in isolated communities and united in strong and militant unions. Some of their organizers had been in the United States and had fallen under the influence of the movement known as the Industrial Workers of the World or I.W.W. In 1908 the miners of Blackball struck against an award of the Court and defied the penalties imposed.<sup>1</sup> They had to accept defeat, but they did not abandon their policy. The miners' unions cancelled their registration under the Arbitration Act, as they were perfectly entitled to do, and

<sup>1</sup> A new system of Commissioners, acting as chairmen of conciliation councils *ad hoc* in each dispute, was established in 1908 to relieve the Court of detailed work; and penalties were imposed on strikes in breach of awards by this bill.

other unions, more particularly the waterside workers, followed their lead. In 1909 the New Zealand Federation of Labour—the very name was a challenge to the more conservative unions organized in their Trades and Labour Councils—was formed; and the energy of its organizers brought it a steady accession of strength. The reply of the moderate unions was to develop their political organization. The success of the Labour Party as an independent unit, first in Australia and then in England, provided another stimulus. A Political Labour League was formed in 1904 as a result of a resolution of the Trades and Labour Councils, but it put no candidates into the field until 1908, when one secured election but the new party only polled 14,000 votes. Undeterred, it too went to the United States for an organizer and formulated a programme of an ultra-democratic rather than socialistic character for the elections of 1911.

It was clear that a regrouping of political forces was taking place. The Liberals lost some seats in 1908 but won the elections with something to spare. They had countered the growth of Political Labour by a second ballot system, hoping no doubt to be regarded at least as Labour's second best. They still however ran the risk of being crushed between the upper and nether millstones of discontented farmers and insurgent Labour. In 1908-9, there was serious economic stringency, though Ward alleviated it by increased borrowing for loans to settlers and workers and for public works. Then the growing seriousness of the European situation involved Ward in the delicate task of reorganizing the rather nebulous defence system of New Zealand without doing violence to Labour prejudices. He sought to rally the country behind him by a dramatic offer of a battle-cruiser to the British Navy in 1909, but there was an inconvenient tendency in perfectly loyal quarters to discriminate between the policy and the man. The Opposition vigorously criticized him, too, for

extravagant finance and alleged that patronage was being used for party purposes. Finally, during his absence in England at the Imperial Conference of 1911, Ward made a serious error of judgment in a personal question and accepted a hereditary title. It was not the way to conciliate a wavering democratic electorate. In the elections late in that year the Government and Opposition were about evenly divided, and the balance was held by a few Independents and a group of four Labour members. Ward made a bold—too bold—bid for Labour support in the Governor's speech ; then, finding it would not do, he resigned the leadership. A fierce struggle ensued within the Liberal party, and Thomas Mackenzie, a moderate man likely to be acceptable to the farmers, emerged victorious against Millar, a former leader in the maritime strike and Ward's Minister of Labour. The special session of Parliament then adjourned, but in July, soon after its reassembly, sufficient disgruntled Liberals voted with the Opposition for its leader, Massey, to win a no-confidence division by forty-one to thirty-three. These unedifying quarrels afforded conclusive evidence of the disintegration of a party once all-powerful ; but the reason for its downfall was that the coalition which had once put it in office had broken up. The only man capable of holding its diverse elements together by a broad national appeal had died six years ago.

## CHAPTER VI

### THE RIPENING OF NATIONALITY

THE Massey Ministry was unquestionably an abler body of men than the Liberal Ministries had been in recent years. The party which had held office before the Liberal victory of 1890 had suffered in popular esteem from its connection with the "landowning oligarchy." The party which was now in power was still able to draw upon the old reservoir of political ability, but it had democratized itself. Some of its leading members at heart probably thought these changes were changes for the worse ; but they accepted them. They knew that there could be no question of going back to 1890 ; and they thought that they still had something to contribute to the moulding of the young nation. It was significant, however, that the Ministry was headed by the one of its members who could most truly be called a man of the people. W. F. Massey was an Ulsterman by birth, but had been in New Zealand since the age of fourteen ; and after the usual apprenticeship on other farms, he had been a working farmer himself since the age of twenty-two. His political apprenticeship had consisted of eighteen years in opposition, often hopeless opposition : he had learnt from it to read the Blue Books and be sure of his facts, and to understand the House of Representatives as well as any man ever understood it. He had not Seddon's mastery of the demagogic arts nor yet Seddon's dominating—not to say domineering—personality ; yet he had many of the qualities of a leader. It was not through oratory that he led, for his speeches—though he was capable of eloquence when really moved—were apt to be verbose, nor yet

through superior vision, for he never quite transcended the limitations of his upbringing ; it was through native ability, courage, honesty, in short through character. He was generous to colleagues and officials and more tolerant than Seddon of able young men. In the end his domination of the country came to be almost as complete as Seddon's, though the times were more difficult than Seddon ever had to face and he never courted popularity as Seddon courted it. The basis of his power all along, however, was the class of working farmers, whom he thoroughly understood and whose confidence he won by his personal qualities and by his devotion to their interests.

The stronghold of these farmers was the North Island, which in 1901 recovered the preponderance in population it had lost in the 'sixties and was constantly widening the margin. The basis of Liberal power had been the South Island : apart from Ballance, all the chief Liberal leaders—Seddon, McKenzie, Reeves, Ward—had been South Island men. The large estates which had excited the hostility of the Liberals had mainly been in the open grassland country, and that was mainly in the South Island. " One great natural check to land monopoly," Reeves himself admitted, " was found in the dense forest, which clothed some 30,000,000 acres. . . . Sheep could not live in it ; so in the hunt for pastoral lands it was let alone, to be preserved for the small settler and dairy farmer in after days." These forest lands, or at any rate the forest lands most readily adapted to settlement, were mainly in the North Island : and the progress of settlement upon them has already been noted. It had been continuing steadily and, in the southern parts of Auckland provincial district particularly, at an accelerating pace. The completion of the Main Trunk Railway in 1908 linked up Auckland and Wellington for the first time by land, and naturally the central part of the island benefited considerably.

The advance of dairying, the great bulk of it in the North Island, is indicated by the fact that the number of dairy cows increased from 355,000 in 1900 to 633,000 in 1911. There was a shift from butter to cheese in Taranaki from 1906-7 owing to more favourable cheese prices: in the rapidly advancing province of Auckland, however, butter always preponderated. From about 1909, a new impetus was given by the successful manufacture of good quality butter from home separated cream. The sheep flocks of the North Island also continued to increase, probably for the most part through better utilization of already occupied lands. The political influence of the North Island farmers increased steadily with the periodical redistribution of constituencies, the more so since under a law of 1889 a quota of 28 per cent. was added to the country population. At the elections of 1911, Taranaki, Wellington and Hawke's Bay voted for Massey's party: in his own province of Auckland, and in Otago and Southland, parties were about evenly divided: the other South Island provinces were solidly for the Liberals. The ultimate success of the new party was as we saw due to parliamentary and personal considerations rather than to a decisive verdict by the electorate. Nevertheless 1912 was a turning point in the political history of New Zealand: once the farmers had a grip on the government of the country they never let it go. They were not more materialistic than other people; but it is fair to say that they regarded politics mainly in a materialistic light. The business of Government was in general to dispense material benefits to the people and to the farmers more particularly. Better roads, better organization of credit, electric power—such were to be their criteria of political progress; and after all much of the stuff of politics does consist in the satisfaction of material needs. These farmers were to show in war-time that in questions which they did not regard as political they were capable of sacrifice; but the predictions at



the time that after the war a new non-material element would enter into politics were hardly realized.

The party which had won their suffrages had been careful not to call itself Conservative : the organization out of which it grew had begun as the National Political Association and developed into the Political Reform League, and the party's official name was Reform. It contained an important conservative element, and on some questions the outlook of the whole party might be described as conservative ; but the name was not simply put on for show. Administration had become very important in New Zealand and the party stood for reforms in administration. It also stood for one important policy reform, the grant to leaseholders of the right to acquire the freehold. It is true that this reform is generally thought to be conservative in tendency and that the usual conservative arguments were heard ; but there were other arguments arising out of the actual situation in New Zealand. The Crown tenants wished to be free from the various restrictions imposed by their leases and to have security against agitation by Labour and by single-tax advocates for revision of their rents. They could urge that it was invidious to discriminate against a minority—for the freeholders were all along in a majority—simply on the ground that they were later in the field. But the main reason, it would seem, was that rising land values, with easy transfer, easy credit and no assignable limit to prosperity, had brought about a land boom in which leaseholders were at a disadvantage. Massey was not by nature speculative, but he was an optimist, and he was not given to economic analysis : he believed that the grant of the freehold was in the interests of the farmers and of the country's prosperity. He took the portfolio of Lands himself, and in his very first session passed a Land Laws Amendment Act revising the Liberal measure of 1907 and granting to tenants under the

lease in perpetuity the right to purchase upon favourable terms. This bias in favour of the freehold continued in the later legislation of the Ministry, and was extended eventually even to the national endowment lands. The tenure of the large pastoral leaseholds, which in many cases had deteriorated considerably, was also liberalized. These measures were the work of years, but the anticipation is permissible, for with the concession of the principle of freehold the question of tenure ceased to be a live issue in New Zealand. In the first budget of Massey's Ministry another indication of the real source of its support was given : the land tax was to be increased on estates with an unimproved value of over £30,000, to be reduced on estates valued at less than £5,000. New Zealand was to be made safe for the small farmer. The safety of the big landowner was not, it seemed, any particular concern of the new party : there need be no fear of the return of the landowning oligarchy.

A beginning was made in the same session with administrative reform. A Civil Service Act, based on the report of a commission appointed by the Mackenzie Ministry, dealt with the oft-repeated complaints of " backstairs " entrance and patronage by placing the public services, with a few exceptions, notably the railways,<sup>1</sup> under the control of an independent Commissioner. The powers of the Public Accounts Committee were increased to enable the House to exercise some real supervision of expenditure. Another measure repealed the Second Ballot Act, which had owed its origin to party rather than to political principle and had led to unedifying bargaining in the interval between the ballots. The Liberals were disheartened and disunited and Reform seemed to be consolidating its hold on power.

There was, however, another aspirant to political power. The growth of Revolutionary Socialism in

<sup>1</sup> The Commission's terms of reference did not include the Railways or the Post Office because these already had classification schemes in operation : but allegations of political patronage in the railways were common.

the ranks of labour has already been discussed. The new doctrines, urged with energy and conviction, had triumphed among the miners, the seamen, and the "watersiders"—a small minority among the unions in point of numbers, but holding key positions in economic life. The Miners' Union at Waihi went on strike in May and for some months were virtually in control of this little gold-mining town. Reinforcements of police and the formation of a new union, which duly registered under the Arbitration Act, eventually enabled the owners to reopen the mines, and in some street rioting in November the new union got the upper hand over the strikers. This failure merely spurred on the leaders of the movement to fresh efforts. They took the wind out of the sails of the older unionists by calling a conference of unions in January 1913 to discuss the consolidation of the labour forces in New Zealand. The moderates were well represented at the conference, and the decision to form two parallel organizations, the United Federation of Labour and the Social Democratic Party, was not in itself a victory for either side. The newer leaders however forced the pace in the so-called Unity Congress in July. It was decided that in the event of a lock-out or authorized strike the full strength of the Federation was to be at the call of the National Executive; and a clause requiring a strike referendum in each union or federation of unions was defeated. Unions were to be free to register under the Arbitration Act: but as the whole trend of policy was contrary to arbitration and its corollary, the illegality of strikes, this might be regarded as a mere sop to the moderates. The leaders of the Federation hardly concealed their intention of courting a trial of strength, and this came, prematurely perhaps from their point of view, in October 1913.

A dispute between certain shipwrights in Wellington and the Union Steamship Company of New Zealand was handed over by the men to the Welling-

ton Waterside Workers' Union, with whom the employers refused to treat. The union came out on strike and on October 24th drove off the few free labourers that were working and took charge of the wharves. The strike spread to Auckland and to the coal port of Westport. Meanwhile the Government, waiting until it was sure of success, had made a call for special constables. The farmers, faced with a complete stoppage of shipping in the export season, responded enthusiastically. Over a thousand of them rode into Wellington from Wairarapa, avoided a sort of ambushade by an unexpected change of route, and on November 5th dislodged the strikers from the wharves. Three days later the wharves at Auckland were similarly recaptured by police and specials. The first effect of the farmers' intervention was to intensify the strike : it spread to Lyttelton and Dunedin, and at Auckland it became more or less general, six or seven thousand trade unionists coming out. In the country as a whole, however, only the seamen and the coal miners responded to the Federation's summons. Moreover the farmers had not confined themselves to supporting the authority of the Government. They enrolled in unions, duly registered under the Arbitration Act, and loaded and unloaded cargo themselves : within five weeks the new Wellington union outnumbered the union on strike. Some two hundred farmers and farm labourers even went to sea, taking the places of seamen and firemen who had struck. The course of events in other ports was similar. The Federation of Labour was obliged to abandon the truculent attitude it had adopted early in the strike : it had alienated not only the Government and the farmers but the public opinion of the country and the moderate leaders of the trade union movement itself. A conference met under Massey's presidency : the substance of the settlement was never in dispute, but the employers saw their opportunity of turning the tables on the "Red Feds" and insisted on the registration of any

agreement under the Conciliation and Arbitration Act. The men's leaders were naturally reluctant to give way, but their cause was hopeless. On December 19th the seamen in Dunedin, Wellington and Auckland resumed work on the owners' terms and next day the Federation called off the strike, though the miners with characteristic stubbornness carried on a strike of their own until January. Once again, as in 1890, direct action had failed ; but it was not possible as in 1890 to take an easy revenge at the ballot box. The Federation of Labour was faced with a new and vigorous instead of an effete Government, with a public educated to believe in the orderly settlement of industrial disputes, and with a body of farmers who knew their own interests and for the first time realized their power. The men's leaders had felt, and made their followers feel, the power of ideas, but the ideas had grown out of circumstances quite different from the circumstances of New Zealand : factors which were left out of account had proved to be decisive.

Before the effects of the great strike had time to work themselves out New Zealand was exposed to a rude and alarming shock. The British Empire declared war on Germany. The shock was indeed not entirely unexpected by those in authority, and since 1909 successive Governments had devoted much of their attention to the problems of defence. The adoption of the principle of compulsory military training in that year was at least partly due to the agitation of the National Defence League, a body modelled on the National Service League of Great Britain. The actual system of training adopted was, however, due to a visit by Lord Kitchener and a report by him to the Government in March 1910 : for example this extended the upper age limit from twenty-one to twenty-five, though it was necessary to placate opposition by restricting the extension to those below twenty-one when the Act came into operation. The system was not one of conscription,

nor anything like it : it required only a certain number of hours' drill, and a short spell in camp, each year. There was some opposition on principle from Labour, and some fear in other quarters of interference with farming ; but only about 5 per cent. of those required to register failed to do so, and probably the real source of this difficulty was the mobile population. General Godley, the Commandant, showed that a determination to carry out the scheme according to law was not inconsistent with a willingness to meet reasonable objections ; and the cadets and Territorial Force were soon duly undergoing training. The Territorial Force was liable to serve in New Zealand only, though its members could voluntarily undertake service overseas ; but, after discussion between the Minister of Defence and the British War Office early in 1913, plans were worked out for the organization, transport and equipment of an overseas expeditionary force if needed. The training, at any rate of the rank and file, was rudimentary only : the chief value of the scheme was that, unlike the former volunteering movement, it gave New Zealand the cadres of a real military organization. Naval policy was slower to develop : the small subsidies to the Imperial Navy, which reached the level of £100,000 in 1909, were supplemented in that year by the gift of the battle cruiser. It was impossible, however, to carry out the original idea of making the cruiser part of the China squadron and allowing her to spend some of her time in New Zealand waters. Many believed that the right policy was to stimulate a national naval sentiment by building, manning and maintaining a New Zealand Naval Force, however small, co-operating perhaps with other Pacific Dominions, subject to control by the British Admiralty on the outbreak of war. This policy was adopted in modified form by the Naval Defence Act 1913, but before it could become effective the war was upon us.

It is no part of the purpose of this book to write,

even in outline, the history of New Zealand's effort during the war. The story is familiar within and not unknown outside New Zealand, and some may think a consideration of its significance in the growth of the nation an unnecessary attempt to depersonalize what is essentially a record of personal valour and endurance, of personal suffering and loss. Yet its significance is, unconsciously rather than consciously, understood by the people. It was no small thing that from an eligible male population of under 250,000, 100,000—9·3 per cent. of the total population—went overseas to fight in the quarrel of the Empire of which New Zealand forms a part. A force of some 1,400 men sailed eleven days after the declaration of war to seize the German wireless station at Samoa, a task which, thanks to the co-operation of the Royal Navy, was accomplished without difficulty on August 29th. The remainder of the "Main Body" of 10,000 men, after three weeks awaiting escort, sailed for Egypt on October 16th, and, after a brush with the Turks on the Suez Canal, landed on the Gallipoli Peninsula on April 25th, 1915. The New Zealanders remained on Gallipoli until the evacuation of Anzac on December 19th. After the evacuation they were reorganized: the New Zealand Division was formed and proceeded to France, where it participated in the battles of the Somme, Messines, and Passchendaele, helped to check the German offensives in March and April 1918, and shared in the great attack which began in August and carried the British armies to the Hindenburg Line and beyond. It won golden opinions from the British commanders and, as we now know, from the enemy. Meanwhile the Mounted Rifles Brigade, as part of the Australian and New Zealand Mounted Division, shared in the driving of the Turks from the Suez Canal through Sinai and Palestine until the campaign ended in one of the most complete victories in history. These troops were maintained continuously at full strength through monthly drafts of

reinforcements.<sup>1</sup> The country started, like Great Britain, with a deep rooted prejudice in favour of the voluntary system: it was only gradually, as the strain was prolonged and the inequities of the voluntary system in a war making such heavy drafts on the national resources became apparent, that opinion changed. There was no referendum, as in Australia: the Government took the responsibility. A Military Service Act was passed in August 1916, and on the whole, in spite of the farm labour difficulty and of some Labour opposition, the invidious work of administering it was carried out with remarkable success. The main credit must go to the able and resolute Minister of Defence, Sir James Allen, who in holding that portfolio throughout the war had the most arduous administrative duties that ever fell to a New Zealand Minister.

Meanwhile, though the strain of the war was felt, the internal life of New Zealand was one of very much the old routine. It required a continuous effort of imagination to realize that New Zealand was at war with an enemy on the other side of the world: it was entirely outside the range of common experience. Many charges of lack of imagination that were brought by the more active-minded against the Government may no doubt be explained by the fact that the problems with which the Government was grappling were different not only in degree of difficulty but in kind from those of which it had any prior knowledge. British Ministers had played with the same counters, though in less arduous games, and they had a long tradition behind them: New Zealand Ministers had first to learn to play.

Economically, after a certain preliminary dislocation, the farmers gained handsomely by the total or partial closing of various rival sources of supply. The quantities of produce remained more or less steady, but the prices rose continuously. From the

<sup>1</sup> Until 1916 the drafts were sent every two months: in that year they were both made more frequent and increased in size.



season of 1915-16 the chief New Zealand exports—frozen meat, cheese, wool, butter and various other commodities—were bought up one after another at agreed prices by the Imperial Government Supplies Department. The farmers were thus relieved of any anxiety on the important point of the disposal of their products. As time went on they felt the disadvantages as well as the advantages of rising prices ; those of them who were unable to go to the war themselves found themselves deprived of labour by the exigencies of military service ; and they were obliged to pay not only land tax, with increased rates on the higher values, but income tax as well. Nevertheless they were in an advantageous position as compared with other sections of the community, and perhaps they were a little too much inclined to regard this as a result of a natural and inevitable process, with the result that few asked themselves if it could last. Other classes were less well off. Wages rose somewhat under Arbitration Court awards, but less, so the workers complained, than the cost of living ; and salaries lagged still further behind, if they rose at all. There was nothing in any way comparable to the food shortage in Great Britain ; but wheat, sugar, coal, petrol and other commodities were subjected to control, and imported manufactures from Great Britain were in short supply.

It is hardly surprising in the circumstances that there was a good deal of labour unrest in the later stages of the war. The coal miners pursued a "go-slow" policy, and in 1917 this culminated in a strike, allegedly against conscription, though miners were being exempted as essential to the economic life of the country. The strike was settled by Government intervention on terms favourable to the miners. Trouble broke out again in 1918 and further concessions were made. Meanwhile the Unions that had remained loyal to the Arbitration Court had received increases of 10-15 per cent. in wages ; the miners as a result of ignoring the Court had received

an increase of 27 per cent. Such developments were calculated to undermine the arbitration system, to discourage and embitter the moderates, and to give a fillip to militant Labour organization. Labour was indeed coming much more widely under socialistic influence and recovering from the setback of 1913. The Arbitration Court was saved for the time by a statute hurriedly passed towards the end of 1918, requiring it to take the cost of living into account in making its wage awards, which it interpreted as a mandate to keep up real wages. Nevertheless the later years of the war had a lasting effect on the fortunes of Labour: the New Zealand Labour Party in its present form, with its definitely socialistic programme, dates from those years, and in January 1919 there was inaugurated its industrial counterpart, the National Alliance of Labour, standing for industrial as opposed to craft unionism and for the nationalization of all industries. The war gave Labour its opportunity, however, rather than its programme.

The financing of the war was a novel task for New Zealand Ministers of Finance. Understandably, but unfortunately, the expenses of the war were met entirely from loans. Taxation was increased substantially: the revenue derived from land tax doubled, and the revenue from income tax increased more than eleven times between 1914-15 and 1918-19. But the increased revenue could not keep pace with the cost of administration. Borrowing on the London market of course became difficult: but in 1916 an attempt was made, for the first time, to raise a loan, of £8,000,000, within New Zealand. It was unexpectedly successful; and in the end over £55,000,000—about two-thirds of the total war-time borrowings—were so raised. The war not only—as was inevitable—confirmed New Zealand Governments in their borrowing habits but gave them, or revealed to them, a new market to which they might turn,

The effects of the war on internal politics were nothing like so deep as in Great Britain. There were no further extensions of the democratic principle, for there appeared to be none to make ; and the habit of State intervention had already been acquired, though certain new interventions encouraged new experiments after the war. In August 1914 there was by common consent a party truce, and various emergency Acts—some of questionable wisdom—were quickly passed. It proved impossible, however, to avoid controversial measures, and the truce did not last long. In December there were the usual triennial elections. The Liberals, as usual, offered Labour the inducement of electoral reform—proportional representation this time—and did unexpectedly well. The Government however had a bare majority over the combined Opposition. The case for a coalition of parties, given the circumstances of the war, seemed clear, but they were reluctant to adopt it. Eventually the personal intervention of the Governor and the generosity of Massey brought about an agreement in August 1915. Massey gave the Liberals equal representation in the Cabinet and there was apparently an understanding that he should share the leadership with Ward, who became Minister of Finance. The Cabinet was the largest that had ever held office in New Zealand, and never gave the impression of being a very homogeneous body. Its formation minimized parliamentary strife, although the Labour members remained in opposition : but it is doubtful whether it had any other advantages. The leaders were probably not personally congenial to each other—the one was an Ulsterman and a working farmer, the other a Roman Catholic and a wealthy business man—and Ward's unwillingness to let Massey do anything by himself produced results that verged on the ludicrous. In the end they came back from the Peace Conference on the same boat—though perhaps that was not Ward's fault—and on August 22nd, 1919, Ward,

following up the decision of a Liberal party meeting held in his absence, resigned and took the other Liberal members of the Government out with him. The elections in December showed that Ward's prestige had suffered: not only did the Liberals sustain a heavy defeat, but he himself was beaten. This was partly however due to the activities of a body known as the Protestant Political Association, which used the unhappy state of affairs in Ireland to whip up public feeling against Roman Catholics as such. The elections were only too plain an indication that the country had reverted to party politics.

One question of internal politics had indeed been a live issue throughout the war. The growth of the prohibition movement in New Zealand since the 'nineties had been remarkable. A referendum on the liquor question had been held, simultaneously with the general elections, triennially since 1896, first on local option, from 1911 on national prohibition. There was to be no compensation to the liquor trade; on the other hand, prohibition required to be carried by a majority of three-fifths of the voters. In 1911, prohibition polled 258,000 votes, continuance 203,000. There can be no doubt that with some electors the liquor poll was the primary and the general election only the secondary interest. During the war the change in political circumstances diverted the interest of the prohibitionists from electoral to legislative activity: attacking the liquor business as morally dangerous and economically wasteful, they secured important legislative restrictions. An Act of 1916 empowered the Government to regulate the sale of intoxicants to women, and to suppress "treat-ing": an Act of 1917 required the closing of public houses at six o'clock. The latter was due to the recommendation of an advisory body set up by the Government and known as the National Efficiency Board, and was advocated on that ground. The Board however had gone further and recommended a special licensing poll on the issue of national

prohibition, with compensation to the liquor trade, a bare majority only being required. It may be surmised that the Government were not very sympathetic to this idea, but eventually they agreed to the holding of a special poll in April 1919. Prohibition could not now be in time to help in the winning of the war, but might not efficiency equally be required in time of peace? Orators from America reinforced the theoretical arguments of the moral reformers and the enthusiasts for efficiency by showing the beneficent effects of prohibition on American morality and American efficiency. "Never," remarked *The Round Table*, "did any campaign in this country excite so keen an interest, fill so much space in the newspapers, or induce so lavish an expenditure of money." Within New Zealand 246,000 voted for prohibition, 232,000 against it; but it had also, of course, been necessary to arrange for the soldiers still overseas to vote. They had not, unfortunately, been present to hear the arguments for moral and physical wellbeing and for increased efficiency: but they showed a mind of their own. They voted four to one against prohibition, and converted the majority into a minority of about 10,000. They voted, no doubt, for drink as drink; but in so doing they saved the Government a heavy administrative responsibility and contributed a certain sense of proportion and a new experience of the world. Prohibition came within 3,000 votes of success at the usual triennial poll in December: since then it has been a slowly ebbing force. For once New Zealand was content to leave other countries to make the experiment. Nevertheless the movement shows how curiously the war affected remote New Zealand: a certain amount of disturbance was inevitable, but the people clung tenaciously to their ordinary ways of life and habits of thought, and found in the new circumstances new arguments for old beliefs.

War conditions prolonged themselves in New Zealand, as in all countries, for some little time after the

peace. The cost of living continued to rise, labour continued restive; the problem of organizing an army no longer existed, only to be replaced, however, by the problems of demobilization and repatriation. Yet there was a spirit of optimism abroad. "Everybody," to quote the New Zealand article written for *The Round Table* in March 1920, "grumbles at the high cost of everything, yet the only limitation upon luxury seems to be the impossibility of getting supplied. Investment stocks are high, pastoral and agricultural lands are fetching big prices and constantly changing hands." It is hardly necessary to say now, what the best authorities realized at the time, that this was not true prosperity but a mere speculative boom. The very steps which the Government designed to lead the country back to normal life—development of the resources of the Dominion by new roads and railways, a vigorous housing scheme and land settlement policy—led it in the opposite direction. The repatriation scheme was a striking case in point. It was natural that the New Zealand soldier should have a certain bias in favour of life on the land, and that a Government which believed that the future of the country depended on its farmers should, from policy as well as from obligation, grant him facilities—or, to put it bluntly, lend him money. Yet, looking at the matter coolly (and, it must be admitted, after the event) it may well be asked whether it was wise to let loose 20,000 purchasers with some £20,000,000 of Government credit upon a rising market. The situation is vividly described by a former official of the Lands Department. "The virgin land was limited and was situated far back; the soldiers wanted to start on places which could provide them with an immediate return. The consequence was that the men concentrated their attention on securing improved properties. This resulted in a swarm of soldiers roaming the country, knocking at the farmers' doors, asking them to sell." The checks imposed by experienced

departmental officers were swept away by an impatient public opinion: the soldiers received their land and the farmers their money. Then, as 1920 and 1921 wore on, conditions changed: war-time controls were brought to an end, credit tightened, prices fell, first in one commodity, then in another. New Zealand was filled with farmers who had bought their land at peak prices, and loaded with a debt of some £200,000,000, as against £92,000,000 in 1914. She had reached another turning point in her history.

The real effects of the war on New Zealand can now be discerned. The war altered—one may say transformed—her relations with the outside world. Before the war, unknown to herself almost, she had been building up a new nationality. A definite date cannot be assigned to its beginning, but it wrote its name on the page of history on Anzac Day, 1915, in letters of blood. The men who fought fought for the Empire, but also for New Zealand. The Empire belonged to the realm of imagination: New Zealand belonged to the realm of experience. They thought of it as their own country. They might not be reasoners thinking of nationality in terms of status or of history, but they were nationalists for all that, and none the worse for not being consciously such. By the very fact of coming to the Old World and coming in a body, they could not help but realize that they had as New Zealanders their own individuality, that they were not, as Seeley had once thought, merely Englishmen living overseas. Yet their coming redeemed their nationality from the charge of being indistinguishable from mere localism. Moreover, what is at least equally important, they impressed their individuality upon the Old Country and even upon foreign nations. The demand of other Dominions for separate representation at the Peace Conference with its fateful sequels—separate signature of the Treaties, separate membership of the League of Nations—was in advance of New Zealand opinion; but the feeling of distinct nationality was a fact.

The hiatus lay in this, that the responsibilities of nationhood were only dimly understood. They were matters of politics and New Zealanders were not politically minded. They smacked of independence, and New Zealanders did not wish to taste the sweets—or the bitters—of independence. Nevertheless external affairs have been more important for New Zealand since the war than they ever were before: whether she has liked it or not, it has been inevitable. It is not merely a question of the Samoan mandate or even of Imperial Conferences and League Assemblies. The world has changed as well as New Zealand: and new brooms, not always gently, have been sweeping the dust out of the corners of the world.

It is not simply that improved communications and enlarged responsibilities have increased New Zealand's contacts with the outside world. The political and economic backgrounds of her growth—the unchallenged maritime supremacy of Great Britain and the unlimited absorptive capacity of the British market—have changed. New Zealand built up not only her economic but her social structure as they are to-day in a generation of rising world prices. These conditions seemed to the generation which grew up in them part of the order of nature. Since 1921 prices have sometimes risen, but more often fallen. But the special circumstances which enabled New Zealand to emerge from an earlier period of falling prices into increased prosperity will not recur. Settlement, with much individual hard work and sacrifice, spread steadily, apart from the interruption due to the Maori troubles, into virgin lands; but the virgin lands remaining—to quote an official report of 1926—"are somewhat limited in extent and, as a rule, somewhat unattractive in quality." Even if the absorptive capacity of the market be left out of account, it is clear that the settlement of new land and the opening up of the country cannot play the same important part in the future of New Zealand that they have



played in its past. Since 1919 the area of occupied land has not materially increased, although it is clear that much land on farms already occupied has been for the first time really farmed. The trend has been towards more intensive, more scientific farming: the period when a steady routine brought almost automatic progress has come to an end. Recently, indeed, the state of the markets has made it clear that even intensive farming raises new problems for New Zealand. There has been a further complicating factor. When the vista of progress seemed illimitable New Zealand formed the habit of making drafts upon the future: now, just when—in fact just because—the limits of the vista are apparent, some of those drafts have been presented for payment. A nation has been built up in New Zealand, and a task of readjustment is, and has for some years been before it demanding the best moral and intellectual energies of nationhood. It seems not an inappropriate period at which to attempt a survey of the national life.

**PART II**  
**THE LIFE OF THE NATION**



## CHAPTER VII

### FARMING

THE dominance of farming in the New Zealand economy has been made plain in the earlier chapters of this book. It has been dominant since the beginning of organized colonization in the country ; and there is no sign of its ceasing to be so. The mere fact that New Zealand has needed and still needs to import manufactured "consumption goods" that she is incapable of producing and capital goods that are essential to production and development means that she must pay for them in commodities she is specially fitted to produce, and she is specially fitted for the rearing of sheep and cattle. Nature has treated New Zealand generously in the matter of climate. Winters are shorter and milder, summers—except perhaps in the extreme north—no hotter than in the British Isles. There is sunshine in plenty, yet rainfall is not merely adequate but regular and well distributed. The stock thrive, and European grasses thrive also. So mild is the climate, so nearly continuous the growth of grass, except on the mountain pastures at three thousand feet or higher, that the stock nowhere need to be housed in winter. There is indeed a human factor which at first sight might be thought to neutralize these advantages. Though there are and have long been itinerant labour gangs to do the shearing and the harvesting, and though there are some signs that a permanent body of agricultural labourers is now developing, labour has on the whole tended to be dear and hard to come by.<sup>1</sup> If the amount of capital now required

<sup>1</sup> Dr. R. O. Buchanan, in his work on *The Pastoral Industries of New Zealand : A Study in Economic Geography*, to which I am much indebted in this chapter, estimates the wage-rates as approximately twice those in England and more than twice those in Denmark.

deters farm workers from taking up farms of their own, other industries, sheltered in many cases by tariffs and paying "award" rates of wages, have been able—sometimes perhaps to their own disadvantage—to attract them to the town. Nor have they, in the face of the keen competition among farmers and the lack of uniformity in wages and working conditions, stayed long, as a rule, on one farm. On the other hand the fact that pastoral farming in New Zealand is wholly open air farming has meant an immense saving in winter labour as compared with less fortunate countries, and the labour difficulty has given a great stimulus to labour-saving devices. In recent years the increased use of milking machines and the decreased cultivation of supplementary fodder crops, owing to more scientific grass-farming, have each of them meant an important economy of labour. On March 31st, 1930, there were only 33,000 farm employees in New Zealand as against 105,000 occupiers and members of their families engaged in farm work. This tendency to more intensive farming with increased capital outlay may, as will be seen later, have its disadvantages: but on the whole it represents an intelligent attempt to use the special advantages and to overcome the special difficulties of the New Zealand farming industries.

Whilst farming in New Zealand is in a sense one industry, having important problems in common, it may perhaps more accurately be called a group of industries. There have been shifts of emphasis from one type of farming to another in the same district; and different types tend to predominate in different districts. The choice of type has been affected by geographical conditions and also by money returns. Dairying is a more intensive type of farming than sheep-farming, and after the war farmers who had taken up at high prices land equally suitable for cattle or for sheep, found dairying offer the greater inducements and used the land for dairying accordingly. In recent years of depression many sheep

farmers took to eking-out their income by running a few dairy cows. This has been one, though not the most important, cause of the recent increase in the output of dairy produce, and may to some extent be counteracted by the fact that prices of sheep products have recovered better than prices of dairy products. On the other hand the transition from cattle to sheep is less easily made. Dairy farming involves increased capital commitments ; and the monthly cheque from the dairy factory, which has no counterpart in the sheep industry, forms personal habits which are not easily broken. But within the dairy industry there are the sub-types of butter and cheese production, in which differential money returns have had some play ; and probably the tendency is towards an increasing number of sub-types. " Where specialized sheep farms exist," write Messrs. Condliffe and Belshaw, " we find some which rear and sell but do not fatten store-sheep ; others which both rear and fatten ; and others which purchase and fatten but do not rear (and therefore need not winter) many sheep." The breeding of pedigree stock is sometimes an important side line. In fact the diversity is so great as to defy exact classification.

Nevertheless geography has imposed, and will continue to impose, limits upon the diversity of farming. For instance, a very large area of the open grasslands of Otago and Canterbury and Marlborough which were invaded by sheepowners, with their flocks of wiry merino sheep, in the 'fifties if not earlier, remains sheep country to this day. In particular, the brown velvety tussock-covered mountain slopes and mountain valleys, which form the most characteristic of South Island landscapes, are still a land of sheep runs and woolsheds and homesteads set in plantations of fir or poplar or Australian blue-gum. The small-bodied, agile sheep are to be seen on the mountain sides in summer up to a

<sup>1</sup> "A Brief Survey of Rural Credit in New Zealand" in *Proceedings of the Australasian Association for the Advancement of Science*, 1923.

height of perhaps 6,000 feet, and though in winter their range is limited to 3,000 feet or less they are much less affected than cattle by the severe weather conditions of the mountain areas. There is indeed another factor which was powerful in the early days and must still be taken into account. Wool is a good "backblocks" product because it requires to be collected but once a year, it is non-perishable, and it is valuable in proportion to its bulk. Though there are no distances in New Zealand like those of the limitless Australian plains or Argentinian pampas, there are many districts to which no railway or first-class road, with the new economic possibilities they bring, will ever come. Above three thousand feet the country is almost useless except in large runs, for lower country is needed for wintering the stock and substantial resources may be wanted to meet losses through winter snow. There are in the Dominion some 200 holdings of over 20,000 acres, covering some 9,300,000 acres in all; it may be surmised that most of these are sheep runs in the mountains of the eastern provinces of the South Island, where there are more than 12,400,000 acres of natural grasslands. These mountain grasslands are still unimproved. The tussock is not particularly appetizing to sheep, but regrassing would never pay; it is best to burn in the spring and turn the stock on to the tender young growth. Unskilful burning in the past, however, has led to deterioration of the pastures, though the worst agent of deterioration has been the prolific rabbit. In the drier regions the process has gone far: thistles flourish where grasses will not, and the carrying capacity falls to one sheep on seven acres or even lower. A Royal Commission in 1920 reported that the comparative insecurity of tenure had contributed to deterioration, and on its recommendation the right of freehold purchase was extended to pastoral tenants, but with little result. Some dry areas are now being irrigated. The pastoral licence on terms up to thirty-five years

remains the typical tenure in the mountain areas. The small grazing-run lease for twenty-one years, with right of renewal, has a maximum area of 20,000 acres.

The large landowner or pastoral tenant is not typical of New Zealand sheep-farming, though he has more influence in that branch of farming than in any other. Nearly 15,000 holdings come under the sheep-farming classification, and their average area is 2,000 acres or rather less. In the lower hill country of the South Island the advent of refrigeration was followed by subdivision, natural or induced, and by farming for meat as well as for wool, with wool perhaps still the more important. This is the stronghold of the half-bred and the locally evolved Corriedale breed, equally suitable for wool and for meat. The sheep may be sent away to the freezing works direct or to the plains for fattening or breeding purposes. In the winter, when the growth of grass is least, the tendency is to reserve the land for ewes selected for the maintenance of the flock.

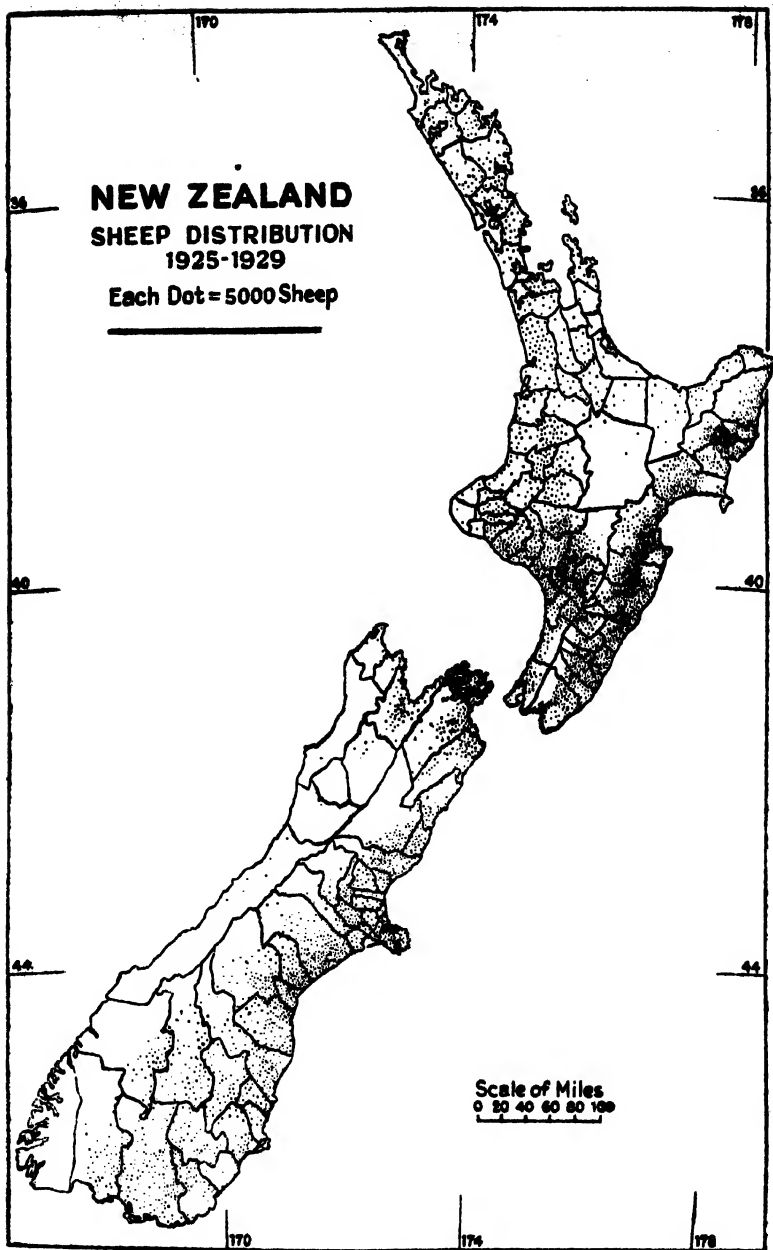
This brief picture of the South Island sheep industry must be completed by a reference to the lowlands, though mixed farming is there the rule. On the Canterbury Plains, the stronghold of mixed farming in New Zealand, the farmer not only rears sheep; but he grows cereals—wheat more particularly but also oats—and very possibly grass seed for the market as well. Green crops and root crops are also grown for the stock. Wheat-growing will be discussed later; needless to say its importance varies on different farms. But the primary aim of the Canterbury farmer for many years past has been to take advantage of the climate, which favours rapid growth of green fodder in the spring and early summer, and fatten lambs for the export market. "Canterbury lamb," the product of a highly developed technique both of cropping and of cross-breeding, is the result. The farms are of 2-400 acres. On the coastal lowlands of Otago and on the Southland



Plains farms have always tended to be smaller, as the land had to be cleared of bush. Wheat is much less and oats more important, and dairying has tended to play a part in the mixed farm's economy. In recent years Southland has made great progress in the fattening of lambs on the Canterbury model, and even where the land is suited to dairying, the sheep tradition is strong. The grass-farming technique worked out in the dairy industry is however increasingly applied.

The sheep industry in the North Island was slower to develop, partly of course because of the Maori wars but partly because the natural grasslands were much smaller in extent. The utilization of the sheep country has made even greater demands upon the farmer's ingenuity, but they have been so successfully met that the North Island leads the South in numbers of sheep and still more in the carrying capacity of its sheep areas.<sup>1</sup> These areas are not so clearly demarcated as in the South Island: many districts run both sheep and cattle according to the conditions on particular farms or groups of farms. The great sheep area, however, lies east of the mountain backbone which runs from the East Cape to Wellington; and there is a smaller area, with almost equal density of sheep, occupying the alluvial plains of the Lower Manawatu and Rangitikei and the hill country inland and west of these plains. About 80 per cent. of the sheep of the North Island are in one area or the other. Much of the land was not only broken and rugged even where of low elevation but covered with fern or scrub, and the transformation of this into grassland on one Hawke's Bay sheep station is described in fascinating detail by Mr. H. Guthrie-Smith in *Tutira*. The fern land was first burnt, then crushed by overrunning it with sheep, then burnt again—the process might have to be repeated several times, and the grasses did not always estab-

<sup>1</sup> The latest figures (April 30th, 1934) are 13,338,000 in the South Island, 15,212,000 in the North Island.



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"The Pastoral Industries of New Zealand, by R. O. Buchanan*



lish themselves in the end, if the slopes were steep. Land covered with *manuka* scrub was dealt with somewhat similarly, by cutting and burning. Bush land often had to pass first through a sawmilling stage: then came felling of the remaining timber, then burning, then sowing—a gradual rather than a rapid transition, for the tall gaunt trees amid the half-formed grassland are a familiar picture in New Zealand. On the whole the placid, long-woolled, fleshy Romney, which can stand an occasional wet season, is the predominant breed, though the coarseness of its wool, which is said to be increasingly noticeable, is a drawback. The Southdown ram is favoured for fat lambs, which the North Island can breed as successfully as Canterbury and even earlier in the season. More mutton is produced than in the South; and beef cattle are fed on the ranker grass. The North Island sheep-farmer does not, however, grow cash crops like the Canterbury farmer. In the sheep regions of the east and south of the North Island there are many large runs, but as in the South they do not predominate: the chief contrast with the South in the matter of tenure is that, although there are many leaseholds, the predominance is with the freehold.

Sheep-farming proper may be said to end with the production of the sheep to be shorn or led to the slaughter; but its secondary processes are an equally important part of the great export industries whose finished products are wool and frozen meat. Shearing is in reality a highly organized industry with specialized labour paid at piece-rates, carefully planned lay-out, and utilization, where possible, of mechanical power; but it is of course carried out on the farm and is the main business of the farm for a few weeks in the spring or early summer of each year. On the larger sheep stations the work is done by gangs of a dozen to twenty shearers and others, the delimitation of their territory being perhaps arranged through a representative of their trade

union. The medium flock owners tend to recruit their shearers individually and to provide some labour from their own staff; the small flock owners to group together and do without hired labour. On the larger stations the concentration is complete. The work goes on from daybreak to dusk, for the shearers are anxious to move on and the farmer looks forward to the time when the high pressure and additional responsibilities of shearing shall be over. Carried on in a long, low shed amid a steamy overpowering odour of sheep and interrupted not only by ordinary meals but by as many "lunches" as there are stomachs to a cow, shearing is a unique and unforgettable experience, though not of course peculiar to New Zealand. From the shed the wool, duly classed, pressed and sewn into bales, is at intervals carried off in waggons to the wool store in the town.

In due course, in the four chief centres and in Napier, Wanganui, Timaru and Invercargill, three or four times between November and April, the wool sales are held. The wool is actually sold by the "stock and station" firms, but many a farmer comes up to town to see his wool sold and the sale is the great town topic for the day. There may be a bench of seventy buyers, some from Bradford, some from the Continent of Europe, some now from Japan. The scene is graphically described in a report in the *Christchurch Press*. "The main thing is to get the bidding moving. But usually the broker has no trouble. The buyers know which lots they want and exactly how much they are prepared to pay for them. For the work of the auction so far as they are concerned is only a small part of the work of the wool sale. They have spent days in the wool-stores, examining the wool in the bales, and estimating exactly what it is worth to them. They will start bidding as low as they can, even though competition brings the price up quickly, but . . . a hitherto vociferous buyer becomes silent when his limit is passed. The broker needs a quick ear and a quick

eye. The bench of buyers in front of him flashes bids from every direction, and it is not easy to decide exactly which noise, vaguely resembling a number, comes last from the shouting mass. And yet when the bidding closes on each lot he is almost infallible in announcing the price and the name of the buyer."<sup>1</sup> Thus at last the wool passes from the farmer's ken, and it only remains for him to receive the annual cheque, fat or slender as the case may be, which means for him a year of prosperity or a year of anxiety and gloom. This is no mere form of words. In 1928-29 the sale of 553,000 bales yielded £11,877,000. Then came three bad seasons: in 1923-33, 558,000 bales yielded £4,204,000. In 1933-34 prices recovered, and 614,000 bales yielded £10,083,000.

The farms clearly cannot cater for slaughtering and freezing as they can for shearing. Nor has the freezing industry proved to be adapted to the co-operative principle, though farmers sometimes hold shares in the works. Some works are controlled by stock and station agency firms, some by special limited liability companies with New Zealand-owned capital, and some again by large overseas interests. There are about thirty-five in all, placed mainly so as to command a wide area of supply, and if possible close to deep-sea ports. They buy from the farmer direct or else at fat stock sales, and kill, dress, and dispose of the carcasses on their own account. Frozen lamb and frozen mutton are their chief products, but their output also includes frozen beef and rabbits, wool, pelts and hides, preserved meats of various kinds, tallow, sausage-casings, bone-dust and other manures, and these together are valued at perhaps half as much as the products-in-chief. Nothing in fact is wasted, and the mere pressure at the height of the killing season from mid-December to mid-March requires highly skilled organization and labour if the works are to survive. The works employ about 6,000 men in all, and are on

<sup>1</sup> From the *Press* of December 13th, 1933.

the average easily the largest industrial establishments in New Zealand: the largest, at Petone near Wellington, can deal with ten thousand sheep a day, though the capacity of most is from two to five thousand. The small works have some difficulty in holding their own, though the whole industry is fully employed at the height of the season.

The marketing of meat is conducted on entirely different principles from the selling of the wool. The actual export, which is almost wholly to the London market, is carried out mostly by the freezing companies and by stock and station firms and export houses, though a small amount is done by the farmers themselves. But since 1922 a Meat Producers' Board, consisting of five members chosen by an electoral committee representing the producers, one representative of the stock and station agents, and two nominees of the Government, has supervised the marketing in the interests of the farmers. It licenses all exporters of meat, supervises the grading in the freezing works, supervises the loading and unloading, and acts for the producers in negotiations regarding freights, insurance, and marketing—though the actual contracts are made with the shippers and not with the Board as such. It also determines the amounts which are to be shipped at any time and the shippers from whom these amounts shall come. It has in reserve, but has never exercised, the power to take control of the whole export of meat from New Zealand. The origin of this machinery lies in the fall of prices which occurred after the war commandeered had come to an end in 1920-21: the fall was ascribed by the farmers to the removal of control. They complained, further, that they received a far smaller proportion of the London price than before the war; and they feared that powerful overseas interests were securing a foothold in the freezing industry. The export licence system has, it is said, been a useful weapon; the inspectorial powers have been well used; and improvement in

handling paved the way to a reduction of insurance rates. The system of freight contracts on a falling market has not always worked to the exporters' advantage, and still less perhaps to the advantage of the importers of New Zealand. But on balance the experiment is generally regarded as having been successful. The Board has combined caution with liberality of outlook, seeking not only to regularize supplies—a very important part of its work—to advertise the products and in other obvious ways defend producers' interests, but also to reduce the costs and improve the processes of freezing, to raise the quality of the meat, to develop new export trades in beef and pork, and to keep in touch with low-temperature research. It may in short be claimed as a successful blending of the experimental temper of the New Zealand farmer with a business sense and an appreciation of world conditions none too common in New Zealand.

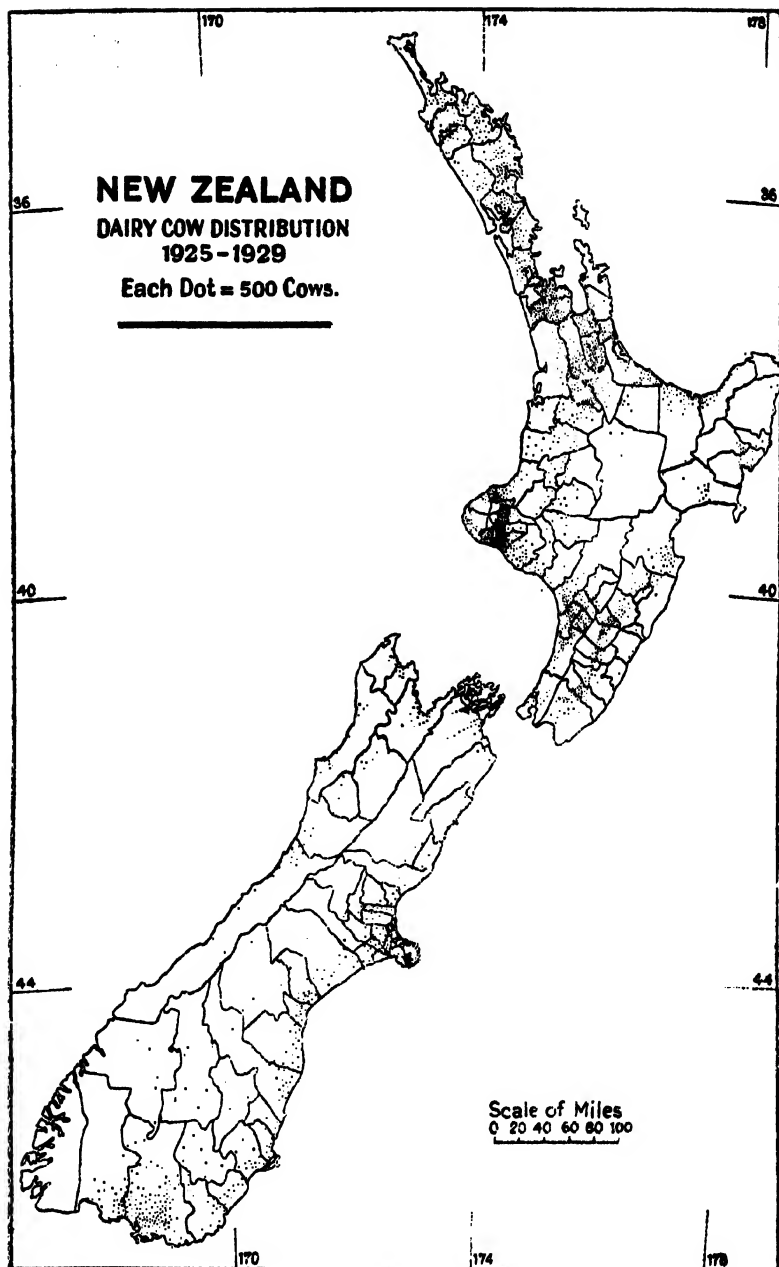
New Zealand is the greatest exporter in the world of frozen mutton and lamb, and holds a high place among the wool exporters. It is also the world's greatest exporter of dairy produce, and the dairy industry is not only the newer but potentially the greater industry of the two.<sup>1</sup> In the South Island the sheep industry, in its various forms, still preponderates, but in the North Island dairying has taken the lead since the war. Two tendencies, the turnover from sheep to dairy farming and the more intensive farming of dairy land, have been at work; and if the potentialities of the land were the only factor to be considered, the limit of expansion of dairying in New Zealand would certainly not yet be in sight. The cattle population of New Zealand in 1922 was 3,323,000—65 per cent. more than in 1911, and 37·5 per cent. more than in 1916. Yet by 1933 it had

<sup>1</sup> In 1933 the total value of the exports of frozen mutton (£1,310,000), frozen lamb (£6,678,000) and wool was £15,410,000; the total value of the exports of butter (£11,648,000) and cheese (£4,766,000) £16,414,000. These figures neglect minor products. Since 1930 sheep and dairying have been running, as it were, neck and neck.



increased by a further 26 per cent. to 4,192,000: and the proportionate increase in dairy cows, which numbered 1,846,000, had been greater. The only limits seemed, until recently, to be the limits set by geography.

At the present time the North Island contains 83 per cent. of the cattle population of New Zealand. Within the island, dairying is concentrated in certain well-defined low-lying areas—low-lying not only because they mean less frost and therefore better grass, but also because they mean less strenuous exertion for the cattle and therefore a better yield of milk. The first of these areas to be developed was the well-watered, fertile, gently undulating Taranaki district, ringing round the sharply rising cone of Mt. Egmont, and it is still the most intensely specialized of all. Since the war, however, primacy has definitely passed to the region southward of Auckland, the alluvial plains of the Waikato, which in common parlance gives its name to the whole region, the Thames and the Piako. The immediate neighbourhood of Auckland itself, the North Auckland river valleys, and the narrow coastal plain of the Bay of Plenty complete the list of specialized dairying areas; but two others which are not so specialized, being important sheep areas, have turned over to dairying to such an extent as to become important to it also. These are the lower Manawatu and Rangitikei valleys, and a “discontinuous longitudinal valley” comprising Southern Hawke’s Bay, the middle Manawatu, and the Wairarapa. In the South Island the relative importance of the industry as a whole is less, and except in small areas dairying where it exists—as it does in the whole eastern and south eastern coastal region—takes second place to sheep. The largest single dairying region is in Southland, but the environs of Christchurch, the Otago Peninsula, and the lower Taieri and Clutha are also dairying districts. Much of the West Coast appears to be geographically suited for dairying, but it is little opened up and



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the expense of opening it up is probably prohibitive.

There remains the interesting question of the distribution of butter and cheese production in the dairying districts. Taranaki, and Otago and Southland so far as dairying is carried on there, concentrate mainly on cheese. Prices at various times have been one factor in the choice ; but some areas have greater freedom of choice than others, and prices have not been the only factor in the original choice, still less in the adherence to it. Milk, the product which the farm sends to the cheese factory, must of course be sent daily, and the most economical method has been found to be transport by the farmers themselves. Thus the farms must be near the factory and are usually within four miles ; and the roads must be reasonably good. Once cheese production, with its comparatively small factories in intensively settled areas, has developed, the farmer naturally tends to adapt himself to it. Moreover milk for cheese-making should not yield as high a content of butter-fat as milk for butter-making, so that, as farmers have discovered to their cost in recent years, the Jersey cow is not so well adapted to cheese as to butter production. Early cheese ventures in Auckland were not successful, and butter began to develop on a basis of district creameries and central factories. But the intensive development in this province, which produces about two-thirds of the total New Zealand output of butter, came after the introduction of the centrifugal separator. Since then the product to be transported to the factory has been not milk but cream. Prices after the war were favourable to butter, and the climate favoured the Jersey cow. The smaller bulk of the cream enabled a system of centralized motor wagon collection to be developed ; and a butter factory may have suppliers anywhere within thirty miles or sometimes more. Thus a farmer at a distance from a dairy factory, although he may be handicapped by the state of the roads in winter, may supply cream where he could

not supply milk. The average size of the factories in Auckland is much larger than in any other province, though many small factories, in spite of the improved communications, remain as a legacy from the earlier period.

There is no need to describe once again the process by which the former fern and scrub and bush lands of the North Island were made to grow grass. The growth of grass however, is only the beginning, not the end, of the modern dairy farm. In pre-war years the practice was to renew the pastures, after ploughing, every three to five years: more recently a much more elaborate technique has developed, with the threefold object of increasing the growth of grass, making the grass carry more cows, and making the cows yield more milk. The increased growth of grass, which is now more and more of certified strains, is due to top-dressing with fertilizer, often two or three times during the season. Phosphatic fertilizers have made it possible for land of fairly low natural fertility in the Waikato to maintain good pastures. Recently there has been some increase in the use of nitrogenous fertilizers, which make possible a heavy increase in the actual grass growth of such pastures. The spread of scientific fertilizing from the Waikato, with local variations, to the other dairying districts has been the most striking of the advances in dairying technique since the war. The second objective is probably on most farms left to a rough and ready use of the principle of rotational grazing. On a few of the most progressive and most fortunately situated financially, the fields, five acres in extent or maybe rather larger, are enclosed by stock-proof fences and intensively grazed, in rotation, for short periods; and the farm is laid out with a central race so that stock need not be taken through one field to get to another. At the most rapid period of growth the stock may not be equal to coping with the grass, and some of the paddocks are cut for hay or ensilage for the less productive season.

The increase in the yield of milk per cow is largely due to the spread, at first through the initiative of the Department of Agriculture and more recently through special co-operative associations, of the practice of herd-testing. The testing officer is present, perhaps once a month, at two consecutive milkings, takes samples from each cow and tests the milk, either on the farm or at a nearby factory, for butter-fat content. This enables the farmer to cull from the herd cows which are not paying their way and to keep, for building up the herd, heifers from cows whose milk yield is above the average. The breed of cow is also, of course, important. The number of pure-bred dairy cows is small; but the Jersey strain, which produces milk of high butter-fat content, has rapidly increased in recent years at the expense of other breeds, and predominates throughout the North Island, whose warm climate suits it excellently. The Shorthorn, the original basis of the dairy herds, is still common; and with the Friesian is perhaps better adapted to cheese-making.

It will readily be understood that some dairy farms are more intensively and scientifically farmed than others. Great advances have been made, but great advances are still possible in the level of efficiency. The butter-fat yield per cow, which was 152 lbs. in 1919-20, reached 218 lbs. in 1929-30, and it is estimated on the basis of the yield of the better farms that it should be possible to bring it up to 300 lbs. Rotational grazing as already mentioned is more developed on some farms than on others. Nevertheless the improvement of the average farm, whether in buildings and layout, utilization of the grass, utilization of the cows, or mechanization, first through the separator and later through the milking machine, is a remarkable testimony to the progressive spirit of New Zealand farming. There is no doubt that the improvement has been partly due to the pressure of economic conditions. Auckland, just

because it was late to develop, was developed when land values were high, and intensive production was necessary to meet the mortgage charges, and as land was changing hands rapidly it was by no means only in Auckland that the argument applied. Moreover the improvement itself cost money, and thus tended to add to the farmer's fixed charges. Since the onset of depression again in 1931 a reduction of costs has been essential, and one obvious method of reducing costs has been to increase production per unit of area farmed or, to put the same thing in another way, per unit of capital. The New Zealand dairy farmer in other words has been obliged to improve his efficiency; but the fact that he has succeeded, and succeeded on the whole so quickly, shows that he knows his job. Leaders and laggards there will always be.

The basis of all this improvement has been the small freehold family farm, of an average size of 90-100 acres, though they may sometimes be as small as 40 acres, and sometimes 500 acres or even more. Of these there were about 38,500 in 1932-33. It is more than twice the number of holdings devoted to sheep-farming, though the dairying area of perhaps four million acres contrasts sharply with the sheep area of perhaps thirty million.

It is in the next stage of production, in the dairy factories, that large-scale organization begins to appear. Farm production of butter and cheese tended naturally to give way to factory production in an industry producing for a distant market and therefore requiring high and uniform quality. The necessity of immediate consignment to cold storage provided another argument. Moreover the growth of the factory system promoted economy of labour and intensive specialization on the farm. In 1933-34 there were some 150 butter-factories in New Zealand; 274 cheese factories, some of them making whey butter in addition; and 45 factories with dual plant,

making cheese as a rule but butter in winter when the supply of milk is too small to warrant their making cheese. Their total production was about 164,000 tons of butter and about 106,000 tons of cheese. These factories, of course, vary a good deal in size ; but the average size is much greater than, for example, in Denmark or in the United States. Nevertheless it is felt nowadays that the optimum size is often not reached and that there might with advantage be fewer factories. For their size has been limited by the necessity of being near to their suppliers ; and with the improvement in roads and the advent of motor transport, necessity is not quite so pressing as it used to be. There has also been a tendency for dissatisfied suppliers to start a new factory, though recently a licence from the Government has been required. It is at least possible that the Government or the reorganized Dairy Board may shortly attempt the elimination of the "redundant " factories.

Of these factories, all but thirty-five are co-operative concerns. The first factories were not co-operative ; but during the 'nineties, with the assistance of a sympathetic Government, the co-operative principle definitely got the upper hand, and it has kept it. The shortage of capital characteristic of new countries, and the nature of the industry itself, both worked in favour of co-operation. For the town investor a comparatively small enterprise, very possibly in a remote country district of which he knew nothing, had no particular attraction ; the farmer on the other hand was personally interested, could put men whom he knew and trusted on the board of directors, and could feel that he was eliminating the "middleman." Often the money has been found, by way of mortgage, by the proprietary concern bought out ; the banks also have been largely drawn on. The co-operative dairy factory has been a striking success in New Zealand. One South Auckland concern, the New Zealand Co-



operative Dairy Company, formed in 1919-20 by the amalgamation of three large groups, is one of the largest business enterprises in the country: it has about 10,000 shareholder-suppliers, and a paid-up capital of over £1,250,000, and owns nineteen butter factories, eighteen cheese factories, casein and milk powder factories, and a colliery into the bargain. On the other hand, in their more limited territory, the proprietary companies are now quite holding their own. The co-operative system indeed has defects as well as advantages. The payment to the farmer-supplier has been based on the Babcock butter-fat test; but butter-fat is not the sole element in quality and other elements have perhaps not been sufficiently regarded.<sup>1</sup> Thus farmers who devote attention to other elements in quality have been treated with less than justice. Moreover, co-operative though it is as between factory and suppliers, the system lends itself to keen competition as between factories, and if in some ways this may make for efficiency, it also makes for overlapping and may tempt factories to relax their standards. It has also been suggested by a very competent critic with first-hand knowledge of the facts that in recent years dairy factory suppliers and directors have tended to devote too much time and energy to questions of "dairy industry politics" and not enough to the improvement of farming and manufacturing methods.<sup>2</sup> It is possible that the powers of the managers, a very competent body of men, have been too much limited. On balance, however, the co-operative dairy factories have been, as Dr. Condliffe says, a potent instrument of technical education, and have also brought the farmer one stage nearer to the distant market which he supplies and to the main currents of economic life.

It is advantageous if the dairy factories are located

<sup>1</sup> This has been particularly so of the cheese. Factories are now required to grade all milk and cheese and allow for the grade in the payout.

<sup>2</sup> The reference is to Mr. G. A. Duncan's study of *The New Zealand Dairy Industry* (Palmerston North, 1933).

near railways ; for all but a sixth of the butter and all but one-fortieth of the cheese produced in New Zealand are now exported, and must—or should—therefore be carried in cold storage, after a certain allowance of time for the maturing of the cheese, to the ports where they are shipped. While the produce stands in cold store awaiting shipment, it is graded by inspectors of the Department of Agriculture, a charge being levied to cover the cost. In the marketing, most factories use the London selling agencies, either selling the produce to them outright at the factory, or more usually shipping it through them for sale on behalf of the factory. One group however sells by arrangement with the Co-operative Wholesale Society of Great Britain, and the New Zealand Co-operative Dairy Company maintains its own London selling house. But as in the case of meat there is a Producers' Board in supervisory control. Before the war the National and South Island Dairy Associations undertook to arrange for transport if factories wished to utilize their services : but rising prices and rising profits obscured any defects in the marketing system. After the war the dairy farmers were quick to follow the example of the meat producers in demanding controlled marketing. Indeed the North Island farmers, who included in Auckland at any rate a large number of returned soldiers and men of an enterprising go-ahead type, wanted a compulsory pool, though to this neither the more conservative South Islanders nor the Government would agree. The Government however, in spite of the opposition of the proprietary factories and of the selling agents, passed in 1923 a Dairy Produce Export Control Act, which became operative after a poll of the producers.

The Board has comprised nine members directly elected by dairy factory suppliers, one representative in alternate periods of the exporters, who are in effect the stock and station agents, and of the proprietary companies, and two nominees of the

Government. It has had a more chequered existence than the Meat Board. On the recommendation of a deputation which had visited England and the United States, in 1926 it proceeded to use the powers, given to it as well as to the Meat Board, of absolute control of the shipment, insurance, freight, storage, port of destination, and sale of dairy produce for export. The policy was a bold one—perhaps too bold: it was much influenced by the idea that speculation on the London market stood between the farmer and prosperity. The Board indeed professed confidence in the possibility of amicable arrangements with the London merchants, but was soon engaged in an attempt to fix minimum prices for New Zealand butter. There was a large carry-over from the previous season owing to an attempt by individual factories to fix such prices. Opposition to these apparent attempts to dictate to the market was not confined to London, but was strong in New Zealand, both among business interests in the cities and in the dairy industry itself. There was a certain feeling that the New Zealand Co-operative Dairy Company, which was strongly behind the Board, was attempting to impose its own policy on the whole industry. New elections to the Board changed its composition, and it deferred to the advice of its London agency and reverted to "limited control" from July 1927. It has since confined itself to the regulation of shipments by adjustment of quantities throughout the season, though this has not yet been carried back from the cold stores to the factory and the farm; the supervision of handling, loading and unloading; freight and insurance contracts, which in this case the Board itself takes out; a vigorous advertising policy based on the use of a national brand; and various other reasonable and limited objectives.<sup>1</sup> Along these lines it is

<sup>1</sup> In March 1933 the Board took over the marketing of all but "finest" and "first grade" creamery butter, but this is a comparatively unimportant percentage of the total. The object is to safeguard the reputation of the better quality produce.

generally admitted to have done good work. New Zealand dairy produce is at a certain disadvantage as compared with competitors nearer home; for distance means more expensive storage equipment, if only because arrivals are necessarily less frequent, and diminished ability to divert supplies elsewhere. Moreover consumers in Northern England and in Scotland have acquired a taste for the quality and flavour of Danish butter, which is fuller-flavoured than New Zealand, and Canadian cheese appears to meet a demand not met equally well by New Zealand cheese. To say, however, that the Dairy Board has not achieved all that was expected of it by optimistic but inexperienced producers is not to deny that the marketing experiment has on the whole justified itself both as a business agency and as an instrument of education. New Zealand, as the greatest exporter of dairy produce in the world, must, if she wishes to hold her own, carefully study her markets and keep her producers abreast of economic progress and in touch with the markets' needs.

If this picture of New Zealand farming is to be in any sense complete, certain subsidiary branches must be briefly touched upon. In the livestock industry there are two which have possibilities of expansion—the growth of cattle for beef, and the rearing of pigs. The rearing of non-dairy cattle has shown little sign of territorial specialization in New Zealand; but that is largely because beef has been mainly grown for the local market, only about 20 per cent. being exported. Beef deteriorates in freezing more than mutton or lamb, and frozen beef competes at a disadvantage with beef that is merely chilled. Chilling, however, is a more difficult process than freezing, and it is only recently that a process first of research and then of experiment has shown that it can safely be used on the long voyage from New Zealand. A new technique will in any case be required. How far cattle for the chilled beef trade could be fattened in the intensive dairy areas,

which were in some cases previously used for fattening, it is early yet to say; but there is also the immediate question of how far conditions in the English market are or are likely to be really favourable to the entrance of a new competitor. There has also since the onset of the depression been a concerted effort by the Meat Board<sup>1</sup> to encourage farmers to follow the example of the Danes and rear pigs on the skimmed milk which is produced in such large quantities as a by-product of cream for the butter factory. In 1933-34 the number of pigs killed was 800,000, as compared with 480,000 in 1931-32 and 590,000 in 1932-33; and this increase is continuing. The exports of frozen pork last season were valued at nearly £1,000,000. Though the added labour on the farm is a conceivable source of difficulty, the real question seems to be whether markets will permit of the evolution of a minor industry into a major one.

Agriculture in the sense of the production of crops is not carried on very extensively in New Zealand. If all the supplementary fodder crops are taken together they are decidedly the most important agricultural product; and the acreage of oats, which is mostly converted into chaff without threshing, is greater than that of any other cereal. Nevertheless wheat has the advantage of prestige, and in the areas in which it is chiefly grown, Canterbury and North Otago, the fertility far surpasses that of the Australian wheat-lands and rivals that of the great wheat belts of Russia and North America. On the other hand these areas are limited; the limitation of the area, and the prevalence of strong winds, entail certain disadvantages in the matter of harvesting; and the Tuscan wheat, the variety which thrives best in New Zealand conditions, is a soft wheat and mills better when blended with harder varieties. It is nevertheless so important an element in the

<sup>1</sup> The Governor-General, Lord Bledisloe, has taken a marked interest in this subject,

crop rotation on mixed farms that it cannot be called subsidiary so far as Canterbury is concerned, and it is authoritatively estimated that 6,500 farmers are interested in wheat-growing. The Lincoln Agricultural College, situated in the wheat area, has given a lead in the improvement of cultivation methods and in exploring the potentialities of different varieties of wheat ; and this was supplemented in 1928 by the foundation of a Wheat Research Institute under the auspices of the Department of Scientific and Industrial Research. For long there was no organized wheat market in New Zealand, but in recent years the co-operative principle has strengthened. Early in 1932 the growers combined in the Wheat Marketing Agency Company Ltd. to ensure " a joint control in the interests of both millers and growers of the sale and purchase of New Zealand wheat under such conditions that purchases by mills are recorded and must be made at a minimum price."

The framework within which this organization was to operate was provided by a beneficent Government. Despite the decline of wheat production for export as population grew and the meat industry developed, the production until the war was in general sufficient for the country's needs and the duties on wheat and flour were in the nature of " a polite gesture of goodwill." During the war this ceased to be the case, and the Government, naturally enough in the circumstances, took control of the wheat situation and fixed prices. The transition to dependence upon imported supplies came at an unfortunate time. It inspired the public and the Government with fears of food-shortage, wheat-growers and flour-millers with the feeling that the maintenance of their industry on its previous basis was an essential duty of the community. The Government found it harder to leave than to enter the field of control : yet wheat production was declining, other products being more remunerative after 1923. In 1924 the Government found it necessary to pur-

chase four million bushels from Australia. But Australia was known to be subject to droughts and maritime strikes and thought to be capable—so widely do the national characteristics differ—of exploiting the New Zealand consumer. Rather than see the country dependent on Australian supplies, the Government sought to achieve self-sufficiency, stability, and reasonable safeguards for the consumer by following the example of the Tories in Great Britain in the 1820's and imposing a sliding scale of duties upon wheat and flour. This policy was inaugurated in 1927 and has increased the wheat area from 150,000 acres in 1925-26 to a quarter of a million acres or more. It has however meant that New Zealand wheat-growers, despite a lowering of the duties early in 1932, have been sheltered from the fall in world prices, from which the great exporting industries and, less directly but even more disastrously, the unemployed have suffered. Moreover self-sufficiency still eludes its pursuers. In 1931-32 the yield was little more than six and a half million bushels and it was necessary to import from Australia, keeping prices to the consumer up by paying the difference to the Government; in 1932-33 the yield was over eleven million bushels and it was necessary to export the surplus, keeping prices to the grower up by control through a Wheat Purchase Board of growers and millers (with an independent chairman) and a sort of levy on all growers to balance the loss on export sales. Even Governments cannot control the weather. Despite the criticisms of the recent Tariff Commission, the Government has announced its intention of maintaining the sliding scale. It is not popular in the North, but it appears to have a solid body of support behind it.

Fruit farming in New Zealand is an industry of respectable age. In Central Otago it is said to have originated in the miners' cottage gardens. But for the danger of late frosts this district is very well suited to fruit, and apples, apricots, peaches, plums

and cherries flourish there. Auckland already grows citrus fruits and could grow more. Hawke's Bay is a good fruit district. So, above all, is Nelson, where the growing of apples and pears is the chief industry. Here the enterprise of the farmers and the researches of a private scientific foundation, the Cawthron Institute, have overcome the difficulties of what seemed unpromising soil. Fruit-growers tend to be subject to alternations of bad crops and gluts, and theirs was wont to be regarded by mortgagees as the most speculative form of farming. In comparatively recent years however an export trade, chiefly in apples, has grown up, with the aid of a State guarantee. Its value reached £720,000 in 1933 and has maintained itself well, even during these years of depression. The Dominion exports two-fifths of its apple crop, Nelson two-thirds. The fruit-growers have been well-organized since the war and a levy of 5s. per acre on commercial orchards has been paid to their Federation since 1916 to be expended in aid to the industry. It was quite natural that in 1924 they should apply, and apply successfully, to the Government for an Export Control Board. The producers in Otago secured permission to contract out; but the other exporters accepted control, and with the Government guarantee behind it the Board was able to remove one of the great difficulties of the export trade and make advances to growers. A further step in organization was the spread from Auckland of the system of pooling exports by provinces after 1928. In 1933, the Board and the Otago federation of growers decided to market all their fruit through a single English wholesale firm. This experiment, however, was not repeated; and there has also been a reaction from pooling to sales on individual account. It would seem as if in Auckland at any rate the fruit area is capable of expansion; but neither in fruit nor in any of the less important agricultural industries—grass-seed, peas, honey—is there



any possibility of an export trade of more than secondary importance. It is by the success of its great livestock industries that New Zealand's export trade must stand or fall.

It will be clear from what has already been said that farming in New Zealand is progressive in spirit and increasingly intensive in type. But these progressive methods very often involve new expenditure. Moreover farming is and always has been very much of a business in New Zealand: the New Zealand farmer is not a peasant cultivating the land his ancestors have cultivated for centuries and caring nothing for any other way of life. His highest ambition has often been, after enduring the hardships of "backblocks" life, to sell out and end his days in comfort in the town. The business side is to him the all important side of farming. Thus credit is the lifeblood of New Zealand farming, as it is of all business. It is only half the truth to say that New Zealand is predominantly a freehold country, for farming is so largely carried on with borrowed capital that the freehold system might be more accurately called a mortgage system. Since the war the disadvantages of this system, which in the days of increasing prosperity and rising land values before the war seemed less speculative than it really was, have been brought home to the farming community.

A very substantial proportion of the freehold farms in New Zealand have been bought on credit. Most New Zealand Governments have sought to encourage men with small command of capital to take up land and since 1894 they have helped settlers more directly. The State advances, limited in amount—now to £3,500, formerly to less—and granted only on first mortgage, form according to Dr. Condliffe's estimate some 10 per cent. of the rural mortgages. There are also the mortgages held by the Lands Department, under discharged soldiers' and other settlement schemes, and by the Public Trustee. The more risky advances have however been

left to private enterprise. The banks, warned by their earlier mistakes, do not as a rule finance farming directly, though their indirect influence is important, for they stand behind other lenders. The trustee savings banks and the insurance companies have also been cautious. Private lending through the agency of solicitors has been an important source of long-term credit; but of late years private investors have tended to fight shy of rural mortgages, finding them difficult to dispose of as required, and farmers to prefer the "table" mortgage, as granted by State lending institutions, in which the principal is gradually paid off, to the "flat" mortgage favoured by private investors. In the case of the more speculative purchases, the money has largely been found by the land agencies and by the vendors themselves. It was to the interest of the land agents that as many properties as possible should change hands at as high a price as possible, and the keen competition among them almost forced them into financing prospective purchasers. Moreover they encouraged the farmers, who often needed little encouragement, to sell their farms for larger farms and leave part of the selling price behind as a mortgage—not as a rule a first mortgage—on the first farm. No doubt the speculative fever which reached its height in the post-war boom and the discharged soldiers' settlement scheme already mentioned was only a temporary phase in New Zealand farming; but it was the result of previously existing facts and tendencies, and its own results were far-reaching.

The farmer's need of credit by no means ceases with the purchase of the land. Stock, implements, improvements are needed if his piece of land is to be farmed at all. There is however, a difference in the needs of sheep or mixed farming on the one hand and of dairy farming on the other, and the credit organization is also different. In the first type of farming a key position is held by the great stock and station firms, the largest business interest in New Zealand,

the banks alone excepted. These firms originated as dealers in the produce of the early sheep runs : acting, as they did, as intermediaries between the runholders and the British market, they soon developed into credit institutions lending both against the produce in which they dealt and against the land. Another side of their activities, the sale of implements, seeds, manures, and other farm requisites, developed in a similar direction. They themselves no doubt in the first instance obtained the credit from the banks, relending it to farmers at a slightly higher rate to cover administrative expenses and risk. Some at least of them however have gone further, and act as deposit bankers for their clients, accepting both current and fixed deposits, paying interest on both and allowing cheques to be drawn on the current accounts. In this way they have accumulated large funds available for investment in mortgages. There can be no doubt that the building up of sheep farming and of mixed farming in New Zealand has been largely due to them. They vary in type. Two of the largest firms—Dalgetys and the New Zealand Loan and Mercantile Agency Company—operate in Australia as well : these two, and the National Mortgage and Agency Company, are English owned firms, confining themselves for the most part to finance and selling on commission. The other firms are New Zealand owned : some confine themselves to particular districts, others like Wright, Stephenson and Company, operate all over New Zealand. Wright, Stephenson and Company, besides financing, selling on commission, and supplying farm requisites, own and run superphosphate works, seed-cleaning plants, and even freezing works. Some of the New Zealand firms began as a co-operative move against retailers and much of their business is retail business still, though they have lost their co-operative character in the process of reconstruction.

Important as these firms are as a source of credit, they have their drawbacks and limitations. In

times of boom the keen competition between them resulted in the ready financing of every settler. In times of depression the settler tends to become tied to the firm. For the only way in which he can finance the purchase of additional stock or seeds or implements, or indeed pay his harvesters or shearers and perhaps even his household expenses, is to overdraw his account with his firm : and, not unnaturally in view of the fact that their profits are made on their commercial rather than their financial business, firms are apt to stipulate that he shall sell his produce through them, and perhaps that he shall take their advice on the management of his farm.<sup>1</sup> The farmer may well become little more than a manager for the agency firm. There is the further drawback that overcapitalization of the farming industries through their means in boom times may react not only on themselves but on the banks and thus on the whole community in bad times. "They cannot," writes Dr. Belshaw in *The Provision of Credit*, "be regarded as a good substitute for properly constituted agricultural banks under the less buoyant conditions of the post-war era."

The stock and station firms, moreover, have never been so active in dairying as in the other branches of farming. Dairy stock is in the nature of machinery for the production of commodities, namely butter and cheese : stock on a sheep-farm is itself a commodity, and there is much more buying and selling. The implements required on dairy farms are less numerous and less expensive than on sheep or mixed farms. The initial capital outlay may be heavy, but there is less scope for the operations of firms that buy and sell farm products and supply farm requisites. The growth of the co-operative dairy factories also seemed to point the way to a different form of credit organization. In Taranaki especially small finance and loan companies were formed by groups of

<sup>1</sup> The Public Trust Office also supervises the management of the mortgagors in many cases. However irksome, it seems a reasonable business precaution.

men with some capital and some local knowledge and the backing of a bank. But many of these burnt their fingers in the post-war slump. After the slump many farmers found themselves on grossly over-valued farms, hard put to it to meet the interest payments on their mortgages. If more intensive dairy-farming was the best way out of the difficulty, credit was needed for the fencing, the fertilizer, and other requisites of intensive farming. There was consequently a strong agitation for better credit facilities for farmers, and dairy farmers particularly.

The Government, aware of the need of deflation, at first merely passed a Rural Credit Associations Act encouraging the formation of bodies like the Taranaki finance and loan companies on a basis of joint and several liability. The Farmers' Union, which had asked for a co-operative land bank with a Government advance to start it on its way, was not satisfied; and in 1924 a Commission was appointed to study rural credit in other countries. One effect of its report was the establishment of a new branch of the State Advances Office, making "rural advances" to a limit of £5,500, as before for long terms but from funds raised by bonds, not by Government loan<sup>1</sup>; but the most striking result was the passage in 1927 of an Act dealing with credit for medium terms. A new Rural Intermediate Credit Board, one of whose members was to be a farmer, was set up: it was to be independent of the State Advances Office, and the Public Trustee was to be its chief executive officer. The Board received a Government advance of £400,000, but also has power to raise funds by debentures. It was to make advances to farmers, directly and through co-operative credit associations, and to co-operative societies such as dairy companies. It could discount promissory notes and bills of exchange, thus helping farmers to finance urgent outgoings during the

<sup>1</sup> Another Act of 1926 empowered the Bank of New Zealand to create long-term mortgage shares; but the advances of the new department have chiefly been made on urban securities.

winter months when milk cheques have shrunk almost to nothing. The co-operative credit associations might borrow money from the Board or from a bank and lend it to their members, on land or chattel mortgage or approved personal security, in limited amounts and for not more than five years, for specific purposes such as clearing, fencing, the erection of buildings, the purchase of implements, stock or seeds, or the payment of mortgages.

The system has hardly yet passed the initial stages. Despite an active publicity campaign, the farmer showed himself rather loth to submit to the oversight and mutual guarantees that co-operative credit systems entail. The majority of the advances as yet have been made to farmers direct through the district machinery of the Board, with co-operative dairy companies standing as guarantors. The new local associations are however increasing in number. The limit of loans has been extended and a system of fluctuating advances devised to attract sheep farmers and mixed farmers. The use of the machinery of the Public Trust Office turned to account a highly developed administrative system with much accumulated experience of rural finance. New machinery is now to be used; but there seems no reason to doubt the success of the experiment.

During the last six or seven years the New Zealand Co-operative Dairy Company has led the way in a new credit experiment. It established a subsidiary Finance Company, raising the funds by an issue of shares. Other companies, fearing to lose their suppliers, followed suit, though they resorted to a bank overdraft secured by a guarantee. The credit is partly intermediate but mainly short-term credit, for a maximum period of a year, and mainly, though not solely, for the purchase of fertilizers. As in the case of stock and station agency advances, there is usually an agreement to supply the dairy company during the currency of the loan and a supervision of the borrower's operations. It is a convenient

arrangement for the small borrower, who repays by a deduction from his monthly butter-fat cheque, and is subject to less formality and delay than even under the rural intermediate credit system. But there is some risk that the smaller companies, unless they link up with that system or with one another, may be led into undertaking operations too great for their resources. Financing by dairy companies seems likely to be a useful subsidiary rather than a major source of credit for the farmer.

For short-term credit for actual working expenses there are many agencies besides those already incidentally touched on. Such short-term credit is specially important on sheep runs and mixed farms, where the farmer's main return comes but once a year and his maximum expenditure for shearing, harvesting, and so forth comes not long before. The most important part in its supply is played by the banks, the more readily because the farmers, and the woolgrowers in particular, are as a rule more substantial men than the dairy farmers. The small farmer in a remote district, who often does not keep proper books, is apt to be at a disadvantage. But stock and station agents, auctioneers, implement dealers, country storekeepers and city business men also provide short-term credit, though it is difficult to estimate the amount.

Such, in brief compass, was the credit structure which had been built up in New Zealand—not a little of it since the war—to meet the needs of the farming industries. Conditions, however, never quite returned to equilibrium after the post-war land boom, so that this credit structure was never really firmly based. Land values were too high. Taxation and local rates, retail prices of such essential goods as groceries and clothing, above all fixed charges, which according to an official estimate in 1930 made up one third of the farmer's outgoings, had not fallen proportionately to export prices. A good authority, Professor H. Belshaw, writing in

1928, estimated that not far short of half the total "occupied area" of New Zealand had changed hands in the years 1915-24, with the result that it was much more heavily mortgaged than before, although its real productive value was probably no greater, if as great. Mortgage rates, moreover, were higher—7 per cent. or more, as against pre-war rates of  $4\frac{1}{2}$  or 5 per cent.—no doubt in part because the security was not so good. Land values—for instance under the discharged soldiers' settlement scheme—were indeed written down. Some farmers gave up their farms. Increased production at lower unit costs, from about 1925, increased the farmers' income. There was a slight downward trend in interest rates, helped no doubt by the new credit schemes, so that in 1930 the Official Year Book was able to estimate the average mortgage rate as between 6 and 7 per cent. and the Rural Intermediate Credit Board, in a department where interest rates had tended to be higher, lent at  $6\frac{1}{2}$  per cent. There seemed still to be a fair safety margin, for the aggregate amount lent on mortgage was estimated at £99,000,000, while the unimproved value of the land concerned was estimated at £128,000,000; and it seemed legitimate to expect that in time the farmers would emerge from their difficulties. But time was not to be given.

Unfortunately the land boom, and the subsequent difficulties of farmers, had not been confined to New Zealand. The remedy of increased productive efficiency had been applied in many other countries, and at the very time when exporting countries were thus tending to depress the level of world prices of farming products, many importing countries, in defence of their own agriculture, were pursuing a policy of agricultural self-sufficiency which raised their own prices but depressed world prices further. This was of course by no means the only cause of the new depression, but it was an important cause. The fall of prices, which began to be felt by the New Zealand farmer in the season of 1930-31, quickly



undermined the financial basis of farming. Burdens which were already heavy became unbearable. As early as January 1931 a conference called by the Canterbury Chamber of Commerce arranged a partial moratorium scheme for that district on a voluntary basis. But it was not like New Zealand Governments to leave the question of relief to voluntary arrangements; and no New Zealand Government could have stood by and seen a large proportion of the farming population made liable to ejection from their farms. The farmers would not have submitted to being turned off. Accordingly in April the first of a series of Mortgages' Relief Acts was passed through Parliament. The Courts were authorized, on application, to postpone, with or without conditions, the exercise of the mortgagee's remedies. Later their powers were extended to remission of the arrears or reduction of the rate of interest; and Adjustment Commissions were set up to hear all applications for relief unless all parties should agree to accept the Court's determination without any such reference, and to assist voluntary settlements between mortgagors and mortgagees. Eventually, in 1933, the liens on stock of the stock and station agents, who, it was alleged, sometimes nullified the arrangements of the Adjustment Commissions and took the whole produce of farms, were also brought within the scope of the relief legislation.

Naturally this drastic legislation, however necessary as an escape from a false position, has not worked entirely without friction. The Courts were at first very loth to exercise their power to interfere with the mortgagor's contractual obligations, though they often of course granted postponements of payment. Mortgagees, too, were sometimes in as great need of money as mortgagors. The Commissions, however, have promoted equitable adjustments, and taken in conjunction with the compulsory reduction of interest rates, to be discussed in a later chapter, their work should ultimately result in a real relief in the farmer's

burden of indebtedness. But the legislation has for the time being "frozen up" the sound and the unsound farmer indiscriminately; and the recent Dairy Industry Commission for this reason put forward a scheme, which the Government has accepted in principle, for gradual refinancing through a new Mortgage Corporation, absorbing the other State lending concerns and offering bonds to the private investor. It is hoped thereby to make farm mortgages at once a more negotiable and a less speculative investment.

The problem of indebtedness, however, can now be seen to be only a part of the wider problem which has been set to the New Zealand farming industries by the great depression. The immediate problem that it raised was one of spreading the burden of falling prices more evenly over the whole community. Some of the adjustments made have been discussed: others will be discussed in later chapters. But the ultimate problem was that of maintaining the solvency of the country and keeping the way open for economic recovery. The dependence of the country for the means of so doing upon the great exporting industries was still an incontrovertible fact. The woolgrowers, with a more stabilized industry and one more accustomed to fluctuations, bore with the fall as best they could and in 1933-34 were rewarded by a rise. The obvious course for the other farmers, with perhaps two-thirds or three-quarters of their number obliged to make some arrangement with their creditors, was to compensate as far as possible for the fall in prices by more intensive production of meat and dairy produce. Though they sometimes had to cut down expenditure on fertilizer, the dairy farmers milked more cows; and indeed, after two seasons of recession, they found it possible again to increase the butter-fat yield per cow. Even if production were unprofitable, the farmer could not close down his farm or part of it, like a factory, till it became profitable again,

unless he were prepared to see the waste of practically the whole capital expenditure since it was first taken up : within five or ten years, to say nothing of what might happen to the livestock and the implements, the place would revert to fern or scrub. Increasing production seemed the only hope of bridging, or at least narrowing, the gap between his shrinking earnings and his expenses. He therefore followed this road which both self-interest and authority urged him to follow, and not without good reason for hoping that it would ultimately be the right road. He was almost entirely dependent upon the British market, but that market did not appear to be saturated : the butter consumption per head had increased between 1923 and 1930 from 14·4 lbs. to 18·6 lbs., the consumption of mutton and lamb from 23·7 lbs. to 28·6 lbs., the consumption of cheese from 9·2 lbs. to 10·6 lbs. The consumption of butter, the most important single commodity, had still a long way to go before reaching the New Zealand figure of 38 lbs. per head. The increased output of butter which ensued was remarkable—in 1930, 1,884,000 cwts., in 1931, 1,988,000 cwts., in 1932, 2,185,000 cwts., and in 1933, 2,635,000 cwts. were exported from New Zealand. As remarkable, especially since the previous expansion had not been so rapid and continuous, was the increase in the export of frozen meat from 4,036,000 cwts. to 4,138,000, then to 4,645,000, and then to 4,930,000. The cheese export fluctuated, but the 1933 figure of 1,982,000 cwt. was the highest yet attained. The demand for cheese as a matter of fact proved inelastic ; but the butter consumption in Great Britain increased to 23·7 lbs. and the consumption of mutton and lamb to 33·7 lbs.<sup>1</sup> The total return to the farmer fell : but in the case of butter the fall was only from £11,854,000 in

<sup>1</sup> I am indebted for the consumption figures to Miss R. Cohen of the Oxford University Agricultural Economics Research Institute. The meat figures are not, in fact, for the calendar year, but that does not invalidate the argument. It should, however, be mentioned that in spite of increased butter consumption stores have not been so quickly cleared.

1930 to £10,649,000 in 1931 and £10,639,000 in 1932, and in 1933 it recovered to £11,648,000—and butter, it must be remembered, was the commodity in which expansion of production was most natural in view of the previous trends.

It may be asked how far the New Zealand farmers' leaders reckoned with their competitors in the British market. Their European competitors were being obliged not so much by increased output as by trade restrictions to send increased supplies of butter to Great Britain. But would they, with their dependence on imported foodstuffs for their stock, hold their own with the unrivalled natural facilities of New Zealand? Might they not find it to their interest to buy less fodder and limit production? If they did not, might not Great Britain differentiate against them by a tariff or even by a quota?

The Ottawa Conference, however, showed that Great Britain was concerned not only to give differential advantages to the Dominions but also to safeguard her own producers, and to look not only to tariffs but to quantitative regulation. The New Zealand delegates agreed to a temporary stabilization of mutton and lamb exports, and the emphasis seemed to be on increasing the Dominions' share of the British market rather than on developing home production.<sup>1</sup> But a quota on dairy produce—on butter particularly—was for the reasons mentioned a more serious matter. The British Government agreed not to impose one for three years; and this, with an increase of the duty on foreign butter to 15s. per cwt., seemed to meet New Zealand's case. But New Zealand had still to reckon with the British farmers, who objected that Ottawa had done nothing to solve their problems and found a Minister of Agriculture ready to urge their case with energy and conviction. He believed indeed that British agriculture should be not only maintained but developed; he wished to

<sup>1</sup> The stabilization was based on the peak season 1931-32 and beef exports have markedly increased. A levy on meat is feared more than a quota.

raise agricultural prices by restriction if necessary ; and he rejected the " nineteenth-century economics "—the relatively free movement of men and capital and consumption goods—on which the second British Empire was built up. The New Zealand farmer soon had the uneasy feeling that the last had not been heard of dairy produce quotas ; and this feeling that the expansion of the most promising of New Zealand industries is in danger hangs like a cloud over the economic horizon.

The way of the New Zealand farmer in these circumstances is hard ; and he does not feel that he is a transgressor. There is not—for a country producing so largely for export it is not possible—a butter equalization scheme as in Australia or in Denmark, maintaining the internal price at the expense of the export price : there is not a cheese subsidy as in Great Britain. There is, it is true, as in Australia and Denmark, a depreciated currency, though the depreciation was carried out to strengthen the farmers as against other sections of the New Zealand community rather than against their competitors.<sup>1</sup> But the more immediate question is not as to the rights and wrongs of the situation, but as to the best practical measures of meeting it. A pamphlet issued by the Minister of Finance as early as May 1933 argued that the farmers must reconcile themselves to a butter quota, and implied that the expansion of Australian production had been such that a limitation of supply all round might at least save New Zealand from a new and formidable rivalry. But it was admitted that a quota would involve difficult problems of regulating production in the factory and on the farm ; and there is no doubt that New Zealand opinion is still loth to accept it. In other directions, the new emphasis on improvement of quality both of the milk and of the finished products, the tendency to look for other export commodities—even minor commodities—and lessen the dependence on a few,

<sup>1</sup> On this, see below, pp. 204-9.

the impact of this new problem has probably been for New Zealand's good. But it is the most difficult problem that the New Zealand economy has yet faced.

A strong Royal Commission, set up to report upon the dairy industry at this critical juncture, has recently presented its report, and the Government is acting upon its recommendations. They are far-reaching. A new Executive Commission of Agriculture is to co-ordinate the policies of the several Control Boards, and a reorganized Dairy Board is to have wide powers to control internal as well as export marketing and to expend Government money—£500,000 in the first year—in the modernization of cheese factories, eradication of cattle disease, and other means to improved efficiency. The licensing not only of factories but perhaps of farmers seems to be foreshadowed. The significance of this trend towards strengthening the organization of farming will be further discussed in a later chapter. These changes should, with the reform of rural finance, tend to discriminate between the efficient and the inefficient farmer, whose equality of treatment during the crisis has perhaps unduly swollen production. But they raise problems besides solving them. If refinancing or licensing excludes a number of farmers, what is to be their place in economic life? In an expanding economy, there is an answer to this question: but is there an answer in a stabilized economy? Is not the object of increased economic efficiency best attained by making increased production profitable at decreased prices? An obstinate doubt must remain in the minds of many in New Zealand. Undoubtedly there is ample scope yet for developing New Zealand's primary production—in dairy produce particularly—in quantity as well as in quality. If it can be put on a payable basis again, is it really in the interests of British commerce and the British consumer that this expansion should cease? And is restriction or stabilization, in an industry

in which expansion has meant lower unit costs, the best way of return to a payable basis? Does it rest upon reason or upon an unreasoning fear of economic progress, a lack of faith in the future, which, in a new country, seems almost a crime?

## CHAPTER VIII

### SECONDARY INDUSTRIES

THE great primary industries of New Zealand occupy a position of such outstanding importance in its economic life as to demand separate treatment. In developing them first and foremost New Zealand has only followed the course which has been typical of the growth of new countries, though in carrying that development so far as she has done she has been led on by the peculiar suitability of those industries to her conditions. These economic activities, begun from the sheer necessity of finding a means of subsistence and an available investment for capital have proved to be, taking a long view of their history, a marvellously remunerative employment both for capital and for human skill. It is inevitable, however, that an economic organization now dating back nearly a hundred years should have spread far beyond the confines of any single industry or group of industries, and that the industries outside that group should have been gradually absorbing an increasing proportion of the population.

It is first necessary to consider a small group of industries which are also engaged in the exploitation of the natural resources of New Zealand, though it is not in these that the chief outlet for expansion has been found. The first of these, the timber industry, has played a part in New Zealand's economy ever since its colonization began. In bringing land into cultivation as described in the last chapter there was inevitably a great waste of timber. The trees were largely growing on rich soil : the milling of them was a commercial proposition in some areas but by no

*Author's Note.* The term "secondary industries" is not here confined to manufactures, as it is in common parlance in New Zealand.



means in all. The pioneer might not be able to afford, and might not wish, to wait until the necessary capital should be forthcoming : in general, of the two alternative capital investments, the clearing of the land for farming seemed the more profitable, and once it had been adopted there could never be any going back. Doubtless this judgment was often right ; but the scales were so heavily weighted in favour of forest destruction that Vogel, the most imaginative of New Zealand statesmen, was justified in attempting to use the authority of the State to redress the balance by a timber conservation policy. His first Forests Act, in 1874, however, was emasculated ; and his second, in 1885, was practically destroyed by Atkinson's economy drive in 1888. Thus thousands of square miles of forest were cleared in each succeeding decade, and it was not until the war brought something like a timber famine that the utilization of the remaining timber resources of the country was tackled in real earnest. This is not to say that the timber had been indiscriminately burnt. Sawmilling had provided timber for houses and other purposes to meet the local demand and the export had also increased until in 1912 it reached 94,000,000 superficial feet, valued at £490,000. The modern forestry experts are, however, nearly as severe upon the unregulated milling as upon the burning.

In 1915 a forestry expert, Sir David Hutchins, was called in to advise the Government, and with his appointment the era of indifference came to an end, though it was not until 1920 that the State Forest Service was created. The policy thus inaugurated has a threefold objective—the maintenance of protective forests for climatic reasons, the preservation of forests on land which would otherwise become mere waste, and the maintenance of ample timber supplies at reasonable prices. There are now about three million acres of proclaimed State forests, and nearly five million acres of provisional State forests—about half the total being in Westland and Nelson,

that is to say on the western slopes of the Southern Alps. These are being supplemented by plantations, chiefly of various species of pine : there are nearly 400,000 acres of State plantations, and planting projects are also being carried on by local bodies, by private individuals, and, last but not least, by commercial companies. In 1930 there were thirty-two afforestation companies, and their assets were valued at £3,700,000, though some of these enterprises were of a decidedly speculative character, and in 1934 a Commission was set up to investigate their activities.

If, however, New Zealand can no longer be accused of neglecting the future of her timber supply, the situation of the timber industry has never been really satisfactory since the war. Such was the fear of a timber shortage that in August 1918 regulations were issued providing for the gradual diminution of the export of native timbers. In retrospect these regulations seem beside the point. In the case of *kauri*, a very valuable timber for cabinet work and joinery but unfortunately short in supply, the fear of exhaustion was real, but the situation was beyond remedy. In the case of other timbers the real danger as revealed in subsequent years was not so much of ultimate shortage but rather of immediate excess of supply. There was a building boom, as was only natural, after the war ; and some sawmills made good profits. These profits, in reality due to sales of stock, favourable location and relatively low royalties, led to the sinking of a good deal of capital in new mills, whose costs were higher and whose anticipations of profit were seldom realized. For in 1921 the building boom collapsed in New Zealand and the Australian market also began to fail : there it was not simply a case of general economic stringency but also of a higher tariff and competition of timber from other countries. There was a certain recovery in the local demand, but in 1924 competition from Western America and Canada began to be felt even in the

local market. The timber was chiefly Douglas fir, better seasoned, produced on a larger scale and by more modern methods, and, despite a tariff and differential railway rates, cheaper. By 1926 the saw-milling industry was definitely in a state of depression. The Tariff Commission in 1927 recommended an increase of duties, but this rather had the effect of checking imports than of improving the condition of the local industry. Efforts were made to improve the efficiency of marketing by the adoption of a system of grading and classification rules, and to modernize the equipment and technique of the mills ; but many mills were unable to afford new machinery. After a short period of something like stabilization, though at a lower level than in 1927, a new decline began in 1931 when the plight of sawmilling was merged in the general distress of the country. In 1932-33 the output was less than half what it had been on the average in the period 1924-27, and the number of sawmill workers, which had been 10,000 in 1924-25, had fallen to 4,787. It was officially estimated that the industry was working at only 30 per cent. of its capacity.

When the figures are examined in detail, another significant fact appears. The cut of *kahikatea* or native white pine has been fairly well maintained, and the cut of the introduced *pinus insignis* has been increasing. They have benefited by the activity of the butter export trade, for which they provide the boxes ; and *kahikatea* timber was exported to Australia, for the same purpose, to the amount of over 19,000,000 feet in 1933—about 40 per cent. of the total cut. *Kahikatea*, however, was so often found on good land that its exploitation has been less restricted than that of other native timbers ; and in 1925 the Director of Forestry estimated that there were only twelve years' supplies left. Even allowing for a diminution of milling since 1925 it seems clear that the timber must soon begin to decline in relative importance ; and that the industry must rest to an

increasing extent upon *rimu*, the ordinary building timber of New Zealand, perhaps upon the hardwood beeches, and upon exotic plantation supplies. The chief timber area for many years has been the central part of the North Island, the "Main Trunk region"; but eventually, it is difficult to say how soon, the West Coast of the South Island seems certain to become the chief producing, as it is already the chief exporting region. It remains to be seen how far scientific forest management and improved organization can transform sawmilling from a part of the pioneering work of settlement into a permanent and profitable industry. There has already been some recovery, aided by a building subsidy, from the low levels of 1932-33, and the Government has rejected the Tariff Commission's recommendation of lower import duties; but the special problems which faced the industry before 1931 and which had brought about a gradual decline have yet to be solved.

Two other industries dependent on peculiar products of New Zealand have shrunk to a mere fraction of their former size. One of them, the kauri gum industry, is concentrated in the North Auckland district, in whose development it has played an important part. The gum is for the most part fossilized, and is dug up, no longer in large lumps, but most often in tiny chips encased in mud, on ground formerly covered with kauri forest. Its chief use has been in the manufacture of varnish, since it unites with linseed oil more readily than any other resin. The more accessible supplies were gradually exhausted, and the quality of the gum tended to decline, especially after about 1906; but methods of working improved, and such was the demand that until about 1925 the price was well maintained. The typical gum digger worked on his own account, paying a royalty to the owner or lessee of the land, who was usually a store-keeper and also bought the gum for cleaning and disposal. A number of Maori, and also of Dalmatian immigrants,

were to be found among the diggers. The industry was useful both as a means of supplementing the income of struggling settlers at slack times, and as a recourse for unskilled labourers thrown out of work. In 1925 the export control system was applied to kauri gum, and the Board did its best to encourage improved methods of production, cleaning, drying and grading. But the competition of other resins was increasingly felt, and the important United States market steadily dwindled. In 1932 the export had shrunk to 2,060 tons, valued at £62,000, as compared with 5,379 tons, valued at £415,000, in 1925. Requests were unavailingly made to the Government for financial assistance, and in July 1932 the Export Control Board was disbanded. In 1933 the United States demand revived somewhat, and 3,089 tons were exported, realizing £78,000. The contribution of kauri gum to the economy even of North Auckland seems however to belong mainly to the past.

The fibre of the native flax, which grows freely on flat and swampy country, was mentioned as a valuable product before New South Wales, let alone New Zealand, was colonized; and it has enjoyed intermittent boom periods, in the 'seventies, from 1889 to 1893, and notably in the later years of the Great War, when for three successive years the export was valued at over £1,000,000. Indeed from the beginning of this century until 1930 the export value seldom fell below £300,000 and was frequently higher. Nevertheless the fibre was never really able to compete on equal terms with Manila and other hems, and in 1933 the value, in spite of a subsidy which had some effect on the export to Australia, had shrunk to £47,000. The local rope and twine-making industry provides a small outlet: how small it is can however be seen from the fact that the flax-mills, which in 1925-26 employed 1,241 hands, in 1932-33 employed 213, and that more than three-quarters of the mills had gone out of business.

Scientific research and business enterprise might yet find new uses for flax and bring about some revival of this industry, and this fact has not escaped the attention of the Government ; the manufacture of woolpacks has been started ; but present prospects appear to be limited.

The mineral resources of New Zealand are not great in comparison with those of other British Dominions. Gold production, which, as has been explained earlier in this book, at one stage was very important and up to the outbreak of war remained one of the more important exports, seemed afterwards to be stabilized at a value of about £500,000, derived chiefly from quartz mining, at Waihi in the Auckland Province in particular. It has, of course, received a fillip from the rise in price due to the departure of Great Britain from the gold standard ; and in 1932 the value of gold produced rose to about £1,000,000. The chief immediate effect was to stimulate prospecting and alluvial mining, which in 1933 gave employment to 4,531 persons ; but the effect on quartz mining and on dredging, though delayed by the necessity of raising capital, will probably be greater in the end. At least one company has been floated in London for the purpose of large-scale dredging operations ; and other projects will no doubt come to fruition. It seems safe to say, however, that gold can never again be of more than secondary importance in New Zealand.

For many years past the most valuable mineral product of New Zealand has been coal. Estimates of coal resources are apt to differ ; but the figures quoted in the Official Year Book are 663,000,000 tons of proved coal, with probable resources of 1,631,000,000 tons. Of the proved coal 266,000,000 tons are bituminous or semi-bituminous, 247,000,000 tons are brown coal and 150,000,000 lignite. The bituminous and semi-bituminous deposits are chiefly, though not wholly, on the West Coast of the South Island in the neighbourhood of the Grey and Buller Rivers ; the

others are more widely distributed but chiefly located in Auckland and in Otago and Southland. The number of men employed in coal mining had been rather over 5,000, and the output rather over 2,000,000 tons until 1932 and 1933, when the depression brought about a decline to 4,386 men, with an output of rather more than 1,800,000 tons. It is noteworthy, however, that since 1914 the growth of the industry has not kept pace with the growth of population: the coal consumption per head was 2.50 tons in 1914, 2.04 in 1924, 1.86 in 1929, and only 1.27 in 1932-33. The chief cause has been the increasing use of electricity and fuel oil; and in spite of experiments in briquetting coal, it would seem likely that this limiting factor will remain important even when the force of the industrial depression is spent.

Iron occurs in New Zealand in fair quantity. The deposits of iron ore near Golden Bay, Nelson, are estimated to contain 64,000,000 metric tons, and these are of good quality; and there is also ironsand on the Taranaki beaches. Commercial exploitation, however, has been found difficult, and in the case of the Taranaki ironsand has so far been impossible. The real difficulty seems to lie in the smallness of the market, which seems to preclude the industry from reaching an economic size. The other mineral resources of New Zealand are more varied than important and the assertion may be hazarded that a good deal of money has been lost in the attempt to exploit them.

A certain growth of urban industry is to be expected even in a country mainly dependent on farming and without very extensive mineral resources. Skilled craftsmanship is needed from the first and as population grows this soon tends in the industrial age to develop into factory production. New Zealand has been no exception to the rule; and the number engaged in factory production, which in 1891 was about 25,000, producing a gross output valued

at £7,300,000, had risen in 1933 to 68,900, producing an output valued at more than £68,000,000—these latter figures comparing with 85,800 and £93,500,000 in the peak year 1929-30. The figures taken by themselves, however, are apt to be misleading. They include as two of the most important industries—easily leading as regards value of output—meat freezing and preserving and butter, cheese, and condensed milk factories: they also include saw-milling. On the other hand they exclude building and construction. The fact is that the importance of industrial development in New Zealand, if sometimes underrated by the farmers, has sometimes been overrated by the manufacturers. The development has consisted in the growth of a number of small industries, generally split up into small units, and owing their origin either directly to the primary industries or else to a demand which from the nature of the case can best be met by local production. It would be wrong to regard them as mere hothouse growths forced into existence by a protective tariff: but although they are collectively important and productive, individually they are hardly to be mentioned in the same breath as sheep-raising or dairying. They tend, significantly, to be concentrated in rough proportion to the population in the four chief cities—Auckland, Wellington, Christchurch and Dunedin—which are of course the chief centres of local demand. There is not, as in Victoria or New South Wales, one industrialized metropolitan area; nor is there an industrial area near the chief coal mines or the yet undeveloped iron ore deposits.

An analysis of some of the chief industries throws further light upon the peculiar industrial characteristics of New Zealand. Until the depression struck the country in 1931, building and construction employed more men than any industry included in the factory returns. In 1929-30 the number employed was 11,312, and the value of the work done was about £9,400,000, or £3,400,000 if the cost of the



materials be deducted: in 1932-33 the number employed had fallen to 3,869 and the value of the work to £2,227,000 gross and £781,000 net. The statistics are thought not to be quite complete; and it must also be borne in mind that public works are not included, although much of the work done is of a similar character. The building industry as in most countries is an industry of small employers: there were 1,444 of these in 1929-30 and 900 in 1932-33. It is also an industry using for the most part local raw materials—local timber, local cement, local bricks and tiles—though the recent Commission considers that it has suffered from the tariffs on some of its materials; and it is naturally spread all over the country with a concentration of activity in the chief towns. Of late years, with the exceptions due to the earthquake at Napier and Hastings in 1931, building has been most active in Wellington, though Auckland has not been far behind.

One of the most important factory industries—in 1931-32 it actually headed the list—was printing, publishing and bookbinding, which in 1932-33 employed 7,453 hands in 362 establishments. It is hardly necessary to labour the point that newspapers and much commercial printing must be produced locally. There are substantial duties—reduced somewhat by the new tariff—on stationery, manufactured paper and printed matter other than books; and in the case of books various considerations, such as the demands of the State schools, tell in favour of local production even though many must necessarily be imported. The raw materials of the industry are imported for the most part, though in 1928 a Government investigation showed that New Zealand timbers were suitable for pulp and paper-making. There appears to be a possibility here of considerable further development.

Engineering and related trades are also of some importance. In 1932-33 2,329 persons were reported to be engaged in engineering works and

4,560 in coachbuilding and motor and cycle engineering ; and tinware and sheet-metal works, with 1,025 employees, iron and brass foundries with 529, and agricultural and dairying machinery and implement making with 542 may perhaps be classed as belonging to the same group. The tin and sheet-metal works and the iron and brass foundries receive some protection, and so until recently did the manufacturers of motor bodies, but they are not the predominant part of the group. Engineering is clearly necessary to the successful working of any modern community, if only because repair work must necessarily be done on the spot, and the step from repairing to making is in many cases a short one. The most striking example of this in New Zealand is in railway transport : since 1901 the carriages and waggons and most of the locomotives have been built in New Zealand and the four chief Government railway workshops are easily the largest engineering establishments in the country, although they are not included in the quoted figures. Engineering has not yet been carried so far in connection with motor transport, and perhaps never will be, but there is clearly a considerable portion of the industry that can be regarded as an accessory to the transport system. The raw material of the engineering industries is practically all imported, and this fact seems to impose important limitations on their growth.

The electricity industry employed in 1932-33 3,239 persons, and so far as capital investment goes it was the leading factory industry : the amount was estimated, with allowance for depreciation, at more than £27,000,000. The investment has for the most part been made by the Government, which has constructed and owns the great power-stations at Arapuni on the Waikato River, at Lake Waikaremoana, fifty miles from Gisborne, at Mangahao near Palmerston North, at Lake Coleridge, sixty miles from Christchurch, and on the Waitaki River. It supplies power in bulk, leaving the

reticulation and retail supply to local authorities. Some local authorities, notably the Dunedin City Council, themselves own and operate stations. Electricity supply is none the less important as an industry for being under public control; and its industrial aspect alone will be discussed at this point. When the Waitaki scheme is complete there will be power available to supply 94 per cent. of the present population and the system is capable of considerable development. More than 328,000 horse-power was actually used in 1932-33, but an extension of at least 160,000 horse-power will eventually be possible. The sites moreover were not chosen as potentially the greatest sources of power but as being reasonably near to the chief centres of population. It is significant however that although the power is used for tramway systems and for numerous small industrial enterprises the chief use is for domestic purposes, not only in the towns but in the rural districts. It is more important, in other words, as an industry in itself than as the raw material of other industries. At first sight it might appear to be a foundation for extensive industrial development in the future, but the limited home market is a factor to be considered.

In spite of this limited home market, indeed, some manufacturing industries have been established in New Zealand of a type different from those so far considered. The woollen industry is probably the oldest of this group: the first mill was set up at Mosgiel, near Dunedin, in 1871, a few skilled operatives being brought out from Scotland to do the work. There are now ten mills, employing 2,349 persons in 1932-33. The units are large by New Zealand standards, but they are much less specialized than they would be in Great Britain: the same mills undertake scouring, spinning, weaving, dyeing and finishing the cloth for the market, and produce, in addition to cloth, flannel, blankets, rugs and shawls, and yarn. Blankets and rugs were at first the staple

product and are still perhaps the best, though the quality of all the products is good. The mills appear to vary a good deal in efficiency and in capacity to compete with the goods imported under a 20 per cent. tariff; and various considerations appear to indicate that a more natural development would have been a concentration in larger units in the South Island, where even as things are the industry is more important than in the more populous North. Though the industry is an important one by New Zealand standards, it absorbs only  $2\frac{1}{2}$  per cent. of the wool clip. This figure gives food for reflection.

Another industry, which in 1932-33 had more employees than any other, the manufacture of clothing, probably grew out of the woollen industry; and some of the woollen mill companies run clothing factories as well. Although a fair quantity of local woollen cloth is used for the higher class clothing, the raw material is mostly imported: piece-goods other than woollen piece-goods are free if of British origin and a tariff, until recently of  $27\frac{1}{2}$ , now in most cases of 20 per cent. is imposed on apparel, hats, and caps of British manufacture. This industry has grown rapidly in recent years, particularly during the war period: it had 2,952 employees in 1911, 6,452 in 1921, 7,616 in 1932-33—the last figures being in 254 establishments. It is perhaps the most successful of the protected industries, though it by no means monopolizes the local market.

The boot and shoe industry is one of the oldest, but has not shown much capacity for growth: in 1891 it had 1,943 employees, in 1932-33, 2,277, in 70 factories. It has enjoyed a protective tariff since 1888: the present rate against British goods is 20 per cent. It might be supposed that the pastoral industries of the country would afford ample supplies of leather, but in fact suede leather and considerable quantities of sole leather are imported, in addition to stiffeners and welting material. The local tanning industry is itself dependent upon imported

bark and other tanning agents. The fact that the boot and shoe industry has had to pay duty on a good deal of its raw material is not however the chief reason for its comparative lack of success in spite of protection. It is clear from the report of a Government Committee of Inquiry in 1929 that the real reasons lie in the smallness of its orders and the multiplicity of the designs to which it works. Of these the latter is the more important, for it is in large measure the cause of the other. It is essentially due to the distance of New Zealand from the real centres of the boot and shoe industry, which, especially for women's shoes, set the designs which the local industry has to follow. Many factories are forced to put out from 150 to 300 new designs per annum, and many of these designs last but a short time owing to the swift changes of fashion. A considerable percentage of the output has thus to be produced to small orders of six pairs or less in one design. The cost has to a large extent to be spread over the whole output, the more so as a considerable amount of stock has eventually to be written off. These are handicaps which can hardly be overcome unless the New Zealanders, and the women in particular, are prepared to follow local fashions ; and that they show no signs of willingness to do. It may with some reason be asked why the factories do not concentrate on a few of the more standardized lines as some of the more successful firms do. The answer appears to be that many factories find it necessary to diversify their operations if their machinery is to be anything like fully employed. It is doubtful how far the many detailed improvements suggested by the Government Committee really go to the root of the matter. The industry appears to be over-capitalized and under-specialized ; and it is easier to reach such an unhappy position than to escape from it.

The biscuit and confectionery industry, on the other hand, has grown steadily. In 1891 it had

384 employees, in 1921, 1,698, in 1932-33, 2,512. It has enjoyed a tariff of 20-27½ (now 15-20) per cent., but on the other hand the only one of its chief raw materials that is locally produced, namely flour, is itself protected. There has been a certain tendency to localization: Auckland, which is the largest market and is also the site of the only sugar refinery in New Zealand, is the most important centre for general confectionery; Christchurch, the centre of the wheat-growing province, predominates in biscuit manufacture; and Dunedin, with its cool climate, is the most important centre for the making of chocolate confectionery. Although there are a large number of small establishments, there has also been a tendency to concentration; not only has the average number of employees risen from 11 in 1891 to 44 in 1932-33, but a substantial majority of the employees work in seven large factories. The industry has a predominant, though not a monopolistic, position in the home market, and, to judge by its results, caters successfully for local taste.

With meat-freezing works, butter and cheese factories, and sawmills, the industries so far mentioned cover about three-quarters of those officially designated as factory employees. The remaining eighteen thousand are distributed among various small industries, some of them of course including comparatively large individual firms: it would be tedious to attempt a complete list. Sufficient illustrations have already been given to indicate the general nature and special problems of the factory industries of New Zealand. For more than a generation it has been the policy of the country to foster the growth of these industries by a moderately protective tariff. The tariff agitation of the 'eighties and early 'nineties died away as prosperity increased; but it revived in the years of falling prices after the war. A general revision of the tariff was undertaken in 1921 and another in 1927. The tendency was slightly upward, but not enough to meet the demands of the

manufacturers, more particularly of the smaller manufacturers: the typical rates of duty remained 20 or 25 per cent. under the British preferential tariff, and the foreign tariff rates were as a general rule 20 per cent. higher. Among local industries those using local raw materials were regarded with special favour. Rather more than half of the imports from Great Britain, however, came in free of duty, and many of the most productive duties—notably of course those on spirits, tobacco, cigars and cigarettes—were primarily revenue duties. In fact it may be said that the most marked tendency in the New Zealand tariff from the end of the war to the Ottawa Conference was not so much towards protection as towards an extension of preference to British as against foreign goods. In 1919-20, 55 per cent. of British imports were not subject to preference; in 1926 the percentage not subject to preference was only 28, and it afterwards remained at about this figure. Indeed the Minister of Customs responsible for the tariffs of 1921 and 1927 stated in an article in 1933—when he no longer held office—that duties on foreign goods were unnecessarily high for protective or preferential purposes and might be lowered with advantage both to the cost of living and to the revenue.

There have however been important new developments in the past three or four years. It had been necessary, in 1930, for urgent financial reasons, to impose a surtax of nine-fortieths of the duty on most dutiable goods; and this operated as additional protection to the New Zealand manufacturer. So, at least temporarily, did the depreciation of the currency hereafter to be discussed, though that should be counteracted by the process of readjustment which the depreciation sought to promote, and by the increased cost of imported raw materials. In any case, though the diminished purchasing power of the Dominion brought about a great diminution in imports, the upward tendency of tariffs was checked

by the Ottawa agreements. The surtax was removed from the goods of the United Kingdom and most British countries, and a few duties were immediately reduced. In addition a Commission was appointed, not consisting solely of Government officials as in 1927 but including an economist, a farmer, and a business man, to review the whole tariff in the light of the Ottawa agreement and particularly of the undertakings that industries should only be protected if they had reasonable chances of success, and that duties should not exceed a level giving United Kingdom producers full opportunity of competition "on the basis of the relative cost of economical and efficient production." The farmers for the most part pressed for a lowering of duties with the ultimate object of free trade with Great Britain: the manufacturers on the other hand urged upon the Commission that the New Zealand tariff was and always had been below the maximum allowed by the Ottawa undertaking, and that so far as New Zealand was concerned this was merely a matter of form. The argument of higher costs, which has been used by British manufacturers' representatives in support of preference, was not unnaturally used by New Zealand manufacturers in support of protection. They also urged that they were at a disadvantage in dealing with retailers, who gave large cash orders to British firms and small orders on credit, which was apt to become a bad debt, to New Zealand firms; and that they were forced by the preferential tariff to obtain their raw materials from Great Britain in cases where competing British manufacturers might obtain them from some cheaper foreign source; and they made much, as was to be expected, of the advantages of a diversity of employments and the need of secondary industries to absorb the increasing population. They gave their support however to the principle of imperial industrial co-operation, which has already been applied in certain New Zealand industries.



In March 1934 the Commission agreed upon its report, and it was published in July with the announcement of the action to be taken upon it by the Government. The new tariff is now in operation. There has been no striking change of policy, and the Commission endorsed the view that the Ottawa undertaking "does not involve any change . . . but rather crystallizes and embodies continuity of the policy we have pursued for many years." Nevertheless there has been a change of direction, for the Ottawa agreement has been liberally interpreted: not only have many duties on products that are not competitive been reduced or abolished, but there have been substantial reductions of duty on chocolate, biscuits and confectionery, paper products, tinware, boots, apparel and various other products that do compete with New Zealand manufactures, and certain industries have been condemned as, uneconomic by Ottawa standards. Foreign duties, which have been made heavier in recent years not only by falling prices but in some cases by the fall of sterling as well, have been left unaltered; but it is hoped to use them as a bargaining counter in negotiations for the admission of New Zealand produce to foreign countries. So far as free trade with Great Britain was concerned, the more cautious of the farmers' advocates were careful to emphasize that it could only be reached by stages; and indeed it has never been practical politics. No New Zealand Government could do without a revenue tariff of such a range as to involve some incidental protection: in 1928 the Minister of Customs estimated that nearly half of the tariff revenue was raised from the protective duties, and though the proportion may possibly have altered, the problem remains. Nor would any Government risk the dislocation that would be brought about by wholesale tariff reductions. Moderate protection is likely to remain the national policy.

Moderate protection itself however might lose its

moderation if erected into a dogma. There has been a tendency in certain quarters in New Zealand to take it for granted that protection and industrial expansion are bound up with one another and that in them lie the real hopes of reducing the excessive dependence of New Zealand upon her primary industries and absorbing an expanding population. It is however questionable whether protection has really been as beneficial to the secondary industries as is supposed. Analysis of the official statistics<sup>1</sup> appears to show that the tariff has not led to a considerable expansion of employment in protected industries as compared with other industries; some industries have had their raw materials protected in the interests of other and smaller industries; and increases of protection have led to the multiplication of small factories rather than to production on a larger scale with consequent economies. The tariff has moreover made it unnecessary for industry to direct itself to the production of a comparatively small number of articles on a comparatively large scale: if this had been the line of development might not the industries, though fewer, have been stronger? It is significant that the pressure for an increase in the tariff has come in the main from the smaller manufacturers. On the other hand sentiment and policy in New Zealand are sympathetic to the small business rather than to the big business, and provincialism and civic pride make more appeal than centralization. It would not be fair to blame the manufacturing industries because they have conformed to type. It is to be hoped however that they can be brought to realize, as the Tariff Commission realized, that in their present state hopes of substantial industrial expansion through protection are a mirage.

Even as it is the tariff has become very definitely a battle-ground between rural and urban interests. The division between town and country is not so

<sup>1</sup> By Dr. G. C. Billing in his unpublished work, *Some Aspects of Protection and its Relation to Economic Development in New Zealand*.

marked as in Australia. The towns are much smaller in proportion. There is many an urban family which has one or more members on the land ; there has been even since the war some movement from the towns to the rural districts as well as the usual drift to the towns ; and there is a very widespread conviction, even in the cities, that the farming industries are the backbone of New Zealand's life. The sense of a conflict of interests has however been increasing in recent years, particularly during the years of economic crisis ; and some think it will become chronic. On the other hand, in spite of the tariff controversy, the commercial aspect of the towns is so important that they can by no means be identified with manufacturing interests to the extent to which the country can be identified with farming interests. In this connection the high value of New Zealand's trade per head, which was £70 in 1929 and more than £39 (New Zealand currency) even in the depth of depression in 1932 is significant. Obviously a very important part of the functions of the towns is to act as centres of collection for the wool, meat, and dairy produce New Zealand exports and as centres of distribution for the wide range of commodities she imports in exchange. Wellington, for example, with a population of about 145,000, handled overseas trade worth £17,400,000 in 1932. It is significant, too, that the decline in the percentage of the employed population engaged in primary production—38·49 per cent. in the census of 1891, 25·30 per cent. in the census of 1926—has not resulted, as it has in Australia, in a marked increase of the percentage employed in manufactures. That has remained more or less steady : the increase has been in commerce and finance, in public administration and the professions, in transport and communication, and in unclassified occupations. The importance of the commercial and distributive function of the towns is further indicated by the fact that, next to farming, the most important of New Zealand

industries is transport. The railways alone had 15,000 employees at March 31st, 1934; and the Amalgamated Society of Railway Servants is easily the largest trade union in New Zealand. Moreover, as will be seen in a later chapter, there has been a marked growth in road transport in recent years. It is indeed a question whether transport has not developed too fast and too far; but if it has, it is one more indication of the fact that New Zealand has been preoccupied, even obsessed, with the task of opening up the country and developing its great export industries as a result—one more indication of the difficult times ahead if the expansion of those industries has now to be curtailed.

## CHAPTER IX

### LABOUR AND UNEMPLOYMENT

THE whole history of New Zealand as a possession of the British Crown lies within the period of growth of the modern labour movement. It has never been possible for any New Zealand employer to regard the subjection of labour as part of the order of nature. From the first the immigrant labourer, knowing labour was scarce, was in a position to demand high wages : from the first he was ready to support his demands by strikes. The very strength of his position, however, enabled him ere long to achieve economic independence. The community that grew up in New Zealand in the first generation of settlement, as described in the earlier chapters of this book, was a community with strong democratic sympathies, and in so far as it sprang from the working class, not ashamed of the fact ; but it was not a highly unionized community. In the 'eighties and 'nineties, as has been shown, the position changed ; and the permanent organization of labour in New Zealand dates from those years. The high-wage tradition of New Zealand seemed to be endangered by the unscrupulousness of some employers and by the economic distresses of the country. Working class votes and democratic sentiment outside the working class enabled Reeves in 1894 to pass the Conciliation and Arbitration Act, which sought, by the encouragement of trade unionism and by the provision of machinery for the settlement of industrial disputes, to safeguard labour against exploitation. This measure, indeed, was merely the best known of a whole code of labour laws—factory legislation, shop hours legislation, workmen's compensation legisla-

tion, legislation dealing with particular groups of workers such as coal miners, kauri gum diggers, shearers, and seamen.

The development of the New Zealand labour movement since 1894 has been powerfully influenced by this labour code, and by the Conciliation and Arbitration Act in particular; and it has been possible to maintain the high-wage tradition without serious friction with the employers. The revolutionary socialism which culminated in the great strike of 1913 proved to be only a passing phase: the socialism remained, but revolutionary methods were discarded in favour of political action and industrial negotiation. The typical trade union has been small—more than half the unionists are in unions with less than a thousand members—and has tended to rely a good deal upon the compulsory arbitration system and the regulation of wages and working conditions by awards of the Court. One effect of the Court's operation has indeed been to make the bargaining strength of the weaker and the stronger unions practically equal and thus to weaken the argument for more closely knit trade union organization.

There were even in the depth of depression in 1933 72,000 workers in unions registered under the Conciliation and Arbitration Act, and before the depression the number had been over one hundred thousand. The proportion of wage-earners belonging to registered unions, however, has never been more than about a quarter. This is of course partly to be attributed to the importance of rural industries in New Zealand; for the proportion of unionists among agricultural and pastoral workers is, as in most other countries, low—in 1925, according to the census figures, it was only 6 per cent.—and no doubt it is also low in the small rural centres. It is probable also that the newness of the country has in various ways hindered the growth of trade unionism. Labour in New Zealand has been relatively mobile; it is characterized by adaptability rather than by

specialized skill ; and although economic opportunity has diminished, there can be little doubt that with its steadily expanding population and its absence of rigid class or educational distinctions New Zealand has offered to the capable and ambitious working man an unusual chance, as chances go, of " getting on in the world."

It may be that New Zealand has now reached a more stable economic and industrial organization, for the pace of expansion had certainly slowed down even before the crisis. In any case, the whole basis of the trade union movement has been altered. Since the war—or perhaps it should be said since the great strike of 1913—there has been a strong tendency for the farmers to claim that they are an interested party in the relations of industrial employers and employed, and this has finally—and it must be added rather unexpectedly—led to the transformation of what seemed to have become the accepted method of adjusting those relations.

At the end of the war compulsory arbitration had fallen into disfavour, and its abolition or radical modification was freely predicted. It received a new lease of life, however, when the Court was granted power to review awards during their currency and adjust them in accordance with changes in the cost of living. The Court was so overwhelmed with applications that in April 1919 it announced certain basic rates for skilled, semi-skilled, and unskilled workers, and during the period of instability that followed it adhered to these rates for all industries, with adjustments of bonus from time to time. There was some criticism of the rates of bonus, and some dispute as to the classification of workers, but on the whole Labour came through the depression well and the country as a whole gained greatly by the stabilizing influence of the Court. The chief signs of discontent were in the public services, whose pay was regulated not by the Court's awards but by the Government's view of the state of the national

finances. In 1923-24 the Court reverted to its former practice of making three-yearly awards in individual trades ; but its evident hope that comparatively stable conditions had returned was disappointed. When prices fell again in 1925-26 the farmers fastened upon the fact that the award rates of wages were definitely higher in relation to export prices than they were before the war. It was true that the Court had always refused to make awards covering ordinary farm employees ; but there were awards for shearers, freezing-works employees, and some others, and the farmers claimed that the costs of distributing services, of farm supplies, and of Government were affected by the determinations of the Court. They conveniently ignored the facts that inflated land values were the greatest single cause of their troubles, and that during the war they had been more fortunately situated than any other class of the community ; but there was truth in their contention that they were bearing the main burden of economic fluctuations, though not necessarily in their conclusion that the Court of Arbitration should be abolished. Eventually the Government convened an Industrial Conference in March 1928 : workers' organizations, town employers, chambers of commerce, and farmers' organizations were all represented, and four University economists were present in an advisory capacity. The Conference devoted almost all its attention to the arbitration system, and it looked at the time as if the result had been to restore confidence in the Court of Arbitration.

This however was only a temporary effect. When the force of the new collapse of prices began to be felt in 1930-31 the Government passed a measure empowering the Court to amend by general order the rates of wages in existing awards, and wages were reduced in May 1931 by 10 per cent., the rate of reduction which had already been imposed on the public services. But export prices had fallen by far more than 10 per cent. and the farmers once



again made a scapegoat of the Arbitration Court. The Government, aware that greater flexibility was needed in the economic structure, gave way to the demand and the compulsory provisions were struck out from the Act early in 1932.

It is not true even now to say that the Government has left employers and workers to their own devices. Conciliation by Councils headed by a Commissioner and composed of representatives of both parties is compulsory in all disputes. The Court itself retains compulsory powers, but reference to it is not automatic but conditional upon the practically unanimous assent of the Conciliation Councils, with a special exception in favour of female workers. If the Councils neither settle the dispute nor agree to reference to the Court, existing awards or agreements fall to the ground and the issue is left for settlement by ordinary bargaining or by direct action. The Act also made provision for the review of existing awards.

So far the effects of this change have not been revolutionary. Employers hastened to avail themselves of the provision for review of awards; but in most cases a sincere attempt has been made by both parties to reach a new agreement. A large number of agreements have been left undisturbed. By the end of March 1934, of the 445 awards and agreements in operation on March 31st, 1932, about a fifth had been cancelled; but there were sufficient new awards to bring the total up to 396. In quite a number of cases there has been a reference to the Court, mainly because its awards bind not only the parties but future entrants into the industry covered. In cases of disagreement there have been some stoppages, but not many, and employers' associations by circulating lists of recommended rates have, it is said, preserved some degree of uniformity in spite of the absence of collective bargaining. On the whole the manufacturers' relations with labour remain good: there have been reductions of wages,

but these were to be expected in such a depression, and the prevailing sentiment alike among employers, among a large section at least of the workers, and among the community generally is in favour of the peaceable settlement of industrial disputes.

It is too soon yet, however, to pass any verdict. The real test of the new system will come with recovery and will depend in the main upon the spirit of the trade union movement. The balance of power in the movement has been gradually shifting from the old Trades and Labour Councils to the Alliance of Labour, which claims a membership of 45,000 and to which most of the large industrial unions are affiliated. There is nevertheless a considerable discrepancy between its membership figures and the total membership of 79,000 of the 400 "industrial unions of workers" registered under the Conciliation and Arbitration Act, a list which itself excludes the miners' unions. It is true that the railway unions are registered but are not permitted to belong to the Alliance of Labour: but that is hardly a sufficient explanation. Finance is, of course, an important factor, but it seems as if in spite of the organizing ability of the secretary of the Alliance there is a strain of conservatism in the trade union movement in New Zealand. It is not so much a case of "the conservative working-man" in the English sense of the term as of opposition to centralization. At Easter 1932 a conference called by the Alliance of Labour with the support not only of the Trades and Labour Councils but of various public service organizations discussed the position created by the Conciliation and Arbitration Act and the need for unity in the Labour movement; and it passed resolutions in favour of trade union organization by industries, with an elected National Council and District Councils, and made provision for mutual support in industrial disputes. Nothing very much has yet come, however, of these resolutions and of the militant speeches at the Conference. It is likely

that the disappearance of compulsory arbitration will hit the small unions hard and accelerate the growth of larger unions; but there seems a fair probability that even when the finances and bargaining strength of the trade unions improve they will still put their trust in methods of negotiation rather than in methods of industrial war. Moreover nothing was more remarkable at the Conference of 1932 than the attempt of the trade union leaders to find common ground with the working farmers, although the farmers' organizations had given the real impetus to the movement for the abolition of a system which had on the whole served trade unionism well. It was a significant recognition of the fact that they are the most valuable allies and the most formidable foes for any organization in New Zealand.

Another development of recent years may however influence the labour movement more powerfully than the abolition of compulsory arbitration. This is the emergence of chronic unemployment as a factor in economic life. The relatively high wage-level in New Zealand has already been mentioned: in the census of 1926 the income group £208-£311 was significantly larger than the groups £156-£207 or £52-£155, and if there is one thing more than another in which New Zealand has felt itself a fortunate country it has been the virtual absence of such poverty as the Old World knows. There had always been a certain amount of seasonal unemployment and perhaps it was too readily taken for granted, but permanent unemployment had been practically unknown for a generation when it made its appearance in the winter of 1926. Many factors contributed to produce it. The less important of the rural industries—timber-milling, kauri gum digging, flax-milling—were showing definite signs of decline. In the first two cases at any rate this was bound to come, and need have caused no more than temporary unemployment if other expanding industries had been able, as in the past, to absorb the labour. Unemployment

in the building industry was not surprising, for it is an industry subject to ups and downs: it was suffering from a natural reaction after the post-war boom, but was likely to revive if the general economic situation of the country improved. A more serious symptom was the decline of employment in the staple industry of farming. It was due to two main causes. The farmers, as has already been explained, were heavily burdened with mortgages and were seeking to increase their production, but they were doing so not by employing more labour but by economizing labour, using more machines, spending more money on fertilizers and less on the cultivation of supplementary crops. This however was the continuation of a process that had long been going on, for New Zealand farming has always sought to economize in hired labour. The new factor was that the actual extension of farming through the taking up of new farms had practically come to an end, so that there was, between the censuses of 1921 and 1926, an absolute decline, for the first time, in the numbers engaged in farming. The same process of mechanization was being employed in waterside work and in roadmaking. A permanent "surplus" of labour seemed to be developing.

The traditional policy of New Zealand Governments in times of temporary difficulty has been to absorb surplus labour in public works. The Government was at first faithful to this policy and by authorizing loans and making subsidies encouraged local bodies to adopt it also. The problem however proved unusually obstinate, and in 1928 a committee was appointed to investigate it. The British system of unemployment insurance was under a cloud at the time; and the committee rejected it for various reasons, the most weighty being a real difference of conditions, the mobility of labour in New Zealand, which would make it difficult to allot workers, especially unskilled workers, to definite trades as the British insurance system requires. It suggested the

establishment of an Employment and Sustenance Fund, financed not by industry as such but by direct contributions from every income-receiver in the Dominion, and the creation of an Employment Board to advise the Government, to supervise relief works and to seek out new industries capable of development. It also suggested that seasonal unemployment and especially the movement of country workers to the towns might be mitigated by afforestation schemes and by the improvement of rural housing. The Unemployment Act which was passed in 1930 was mainly based on the recommendations of this committee. Thus when the full force of the storm struck New Zealand it had at least the foundations of an unemployment policy.

It is improbable that anyone in New Zealand realized how severe the storm would be. The numbers on the unemployment register of the Labour Department, which had increased during 1930 from 1,565 to 6,038, rose successively to 8,703, 17,856 29,434 and 37,598 in the first four months of 1931. Undoubtedly this was largely due to the knowledge that relief was to be had and to the use of country post offices to supplement the offices of the Labour Department. As 1931 wore on, not only did the depression deepen but the traditional remedy could no longer be applied. The state of the national finances was such that the number employed by the Public Works Department had to be decreased from 12,061 in January to 8,591 in December. The Unemployment Board, which had intended to devise a comprehensive scheme of reproductive work suited to the varied capacities of the unemployed, was forced to content itself very largely with relief works in the usual acceptance of the term. Local bodies were to provide the cost of materials and administration, and the Unemployment Board was to find the wages. The strain on the finances of the Board and the Government was such that work had to be severely rationed, and was given only on two, three, or four

days a week, according to men's circumstances, and only in three weeks out of four: conditions of eligibility were tightened and rates of wages were reduced to 10s. per day's work for married men and 7s. 6d. for single men. In addition to these schemes administered through local bodies and local Unemployment Committees, schemes were devised for subsidizing work on farms, either ordinary wage labour, or contract work of various kinds which the farmer was unable to afford from his own unassisted resources; the currency situation suggested a subsidy to gold prospecting; and small camps of single men were established for road-making in the country districts.

In July 1931 the first Unemployment Board was replaced by a smaller permanent body with a Minister at its head; but there was no discontinuity of policy. The relief works scheme—"Scheme No. 5"—continued to absorb the greatest number of men: the work done comprised general land development, land drainage, protection against river and sea erosion, afforestation, road and street improvement, improvement of parks and reserves and of school and hospital grounds, and so forth. In the course of 1932, however, two new schemes were tried—a building subsidy and a plan for settling unemployed men and their families on holdings of two or more acres, offering some hope of development in due course into ordinary self-supporting farms or, if not, of being supplemented by seasonal work on neighbouring farms. This "small farms plan" was quite in accordance with the New Zealand tradition of closer settlement and in a sense hardly belonged to the category of unemployment relief at all, being merely an extension of the accepted principle of State-aided land settlement. By the end of March 1933 about 750 arrangements were made or under way, for the most part in North Auckland, and about half the tenants were estimated to be already meeting their commitments: the average area of the holdings

\* was about 20 acres. The scheme was then transferred to a special Small Farms Board, and some hundreds more holdings, of a rather larger average size, have been settled. Such successes are by no means to be despised, but they merely touch the fringe of the unemployment problem. The Board has attempted to transfer men as opportunity offers from part-time relief work to more directly productive subsidized employment, and has met with some success, but it is a slow process. The peak figure of 75,000 receiving relief from its funds was reached in October 1933. In July 1934 the number of men employed on rationed work under Scheme 5 was 33,523; 7,794 were in subsidized employment on farms, 3,254 employed in camps on land development, highways, backblock roads, or afforestation, 3,624 engaged in gold mining or prospecting, 1,596 employed (even in winter) under the building subsidy scheme, 2,767 in subsidized employment under the Public Works Department but not in camps, 4,372 in other subsidized employment; 3,628 were in receipt of sustenance without work, and 4,178 were unemployed but ineligible for relief. In addition to these, there are the unemployed women and girls, who are relieved by a special committee and by voluntary organizations but are not registered or covered by any of the Board's schemes. These figures with the additions that must be made to them show clearly the seriousness of the problem for a country whose total population is not quite one and a half millions.

The unemployment policy of the Government and the Board has been based on the principle that where it is in any way possible work should be done in return for relief—productive work as far as this can be found, but in any case work. It has met with a good deal of criticism. It is urged that at any rate in some localities the possibilities of useful work are becoming exhausted; that the work is felt to be useless and thus undermines men's sense of pride in

their work ; that unemployed and unemployable are mixed up together ; that the low rates of pay and discontinuous employment have to be supplemented by doles of money or food and clothing from the Hospital and Charitable Aid Boards ; that the provision for unemployed women and girls is quite inadequate ; that the subsidized employment schemes are an encouragement to farmers to replace ordinary employees by subsidized labour. There may be some truth in these criticisms, but they underrate the essential difficulty of the problem. There is a family resemblance between New Zealand criticism of relief works and English criticism of the "dole" : they are both said to be demoralizing, and no doubt they both are, but the argument that relief work is more demoralizing than idleness surely requires proof. Besides, even if the case for an unemployment insurance system be regarded as proved, it still remains to be shown that it could have been got into working order if it had been introduced instead of the present system in 1930. It is hardly conceivable that it could : and if it could not, the crisis would have had to be met by some temporary schemes of relief. No one indeed believes that relief work is anything but a stopgap : but the undertaking of great productive works would have involved difficult problems of finance, of technical preparation, and of transference of labour. Even as things are it is questionable whether the maintenance of the works done will be really feasible, whether the broom and scrub that have been cleared from the hillsides may not overrun them again. For the gravity of the unemployment problem is accentuated by two unpalatable facts : the country has already developed public works to such an extent as to mortgage the future, and the position in the British market is a bar to the further development in the farming industries in which lay the best hope of an increase in the national income and thus, indirectly, of an expanding field of employment.



In these circumstances New Zealand must reckon with unemployment, not necessarily at its present level but on a serious scale, as a permanent problem. The feeling that unemployment is the fault of the unemployed, natural perhaps in a country unaccustomed to the problem, must disappear: the present temporary policy must be reconsidered and a permanent policy must be devised: the country must rid itself of the idea that it is immune from this disease of modern industrial society. This, however, should not be all: thinking men should reflect upon the causes and the cure of the disease, and examine the whole structure of national policy in the course of their reflections. They will no doubt come to different conclusions. Some will say—and are saying—that unemployment is a disease of the modern industrial system and can be removed by the overthrow of the system. But if the first proposition is true, does the second proposition follow? There remains another road open besides the primrose path to Socialism. New Zealand, in aiming at a high working-class standard of living and making it a principle that business enterprises should pay good wages, has set before itself laudable and perfectly legitimate objects, but objects that should be pursued with careful regard to the economic circumstances of the time. The inability before the crisis to absorb displaced labour in profitable employment may be regarded as a sign that the long-run interests of the working man were being sacrificed to his short-run interests, that wage-rates suitable to a time of prosperity like that preceding the war were being applied with too little discrimination to a time of uncertainty like that following the post-war boom. The unemployment at this stage was more disquieting than dangerous, which would seem to indicate that wage-rates were not very seriously out of alignment; but it was unfortunate that when the crisis came the economic life of the country was already in disequilibrium. It would be foolish to suggest that the working classes were

especially to blame : the wage-rates were settled by Arbitration Court awards, and behind these lay a very general public sentiment in favour of a high standard of living. It remains true however that the standard of living which was saved from the menace of low-wage employment has now been menaced by unemployment ; and that a slow and painful process of readjustment will be necessary before this can be reduced to easily manageable proportions, let alone removed. Readjustment will make large demands upon the enterprise and foresight of the business community and the Government and upon the patience and the sense of responsibility of labour and its leaders. It may be that New Zealand, with less bitter experience behind it and much genuine goodwill in all classes of the community, will after all make such readjustments with less friction than can be expected in older and more completely industrialized countries. But this can only happen if it is recognized that law and opinion can do much in economic matters if they work with economic trends but little except harm if they seek to work against them. It is a hard lesson for a democratic community to learn.

## CHAPTER X

### FINANCIAL POLICY

It is possible to misunderstand, but it is hardly possible to overrate, the importance of the part played by financial institutions in the economic life of the modern State. The importance of the financial problems of farming in New Zealand and the nature of the institutions that deal with them have already been discussed ; and it has been shown that the State itself has played an important part. It is not only of rural finance that this is true. The State, through the Post Office Savings Bank and through the Public Trust Office, administers a considerable proportion of the savings of the community, and it has also entered the field of insurance ; it has lent money to others besides farmers through the State Advances Office. The significance of these organizations will be discussed in another connection. Suffice it to say that they do not monopolize the field. There are, for example, five trustee savings banks ; and in the past ten years, through a vigorous advertising policy and the offer of higher rates, they have increased their deposits from about one-ninth to about one-fourth of the total held by the Post Office. The main part of the insurance business is in the hands of ordinary insurance companies. The activities of the State Advances Office have lessened the scope of the building societies, but the number of permanent building societies has markedly increased in the past ten years. The real key to such differences as exist between the financial institutions of New Zealand and of Great Britain lies not in the activities of the State but in the fact that the one is a much less complex and highly developed community than the other.

The financial system of New Zealand naturally affects its economic structure at every point ; but the difficult task of discussing those effects in detail will not be attempted in this book. The discussion will be in the main confined to general financial policy. This policy may be looked at from two aspects : from one aspect it is regulated by the decisions of the Government and ultimately of public opinion in New Zealand, from another aspect by the relation of the New Zealand economy to world economy and more particularly to the City of London, with which it is closely connected both by trade and by tradition. It is the task of the Government, and one of the most difficult of its tasks, to reconcile these two determinants of financial policy, local responsibility and external interests and obligations. So long however as private enterprise keeps a place in the financial system of New Zealand, much of the detailed work must be done, and some of the responsibility is borne, by the banks.

The banking system of New Zealand was until recently in the hands of six commercial banks, four of them primarily Australian institutions. Of the other two, the National Bank of New Zealand has its head office in London, the Bank of New Zealand, which has been doing about half the banking business, in the Dominion. It will be remembered that since 1894 the Government has had an important interest in this institution, and indeed it appoints four out of six directors, including the chairman. The Bank however is not a State-controlled institution in the usual sense of the term ; it is said that the Government sometimes requests its appointees to pursue a certain line of policy, but it appoints independent men and it cannot disturb them for three years. The Bank of New Zealand joins with the others in an association which makes decisions on policy and rates and has at least in recent years been the usual instrument of negotiations with the Government. But it seems unlikely that the recent institu-

tion of a central reserve bank will lead to the dissociation of the Government from the Bank of New Zealand, though it will no longer do the Government banking business. New Zealand banking policy since the crisis of the 'nineties has been, in the words of Dr. J. B. Condliffe, " ultra-orthodox and conservative " : the absence of competition has made conservatism easy, and the stability of the banks in the recent crisis has been a marked contrast with their earlier difficulties and may be claimed to have justified their conservatism. On the other hand in the amount of the margin between their lending rates and their borrowing rates, the charges made for Treasury Bills, and other matters, they have sometimes exposed themselves to criticism even from the well-informed.

The commercial banks carry on ordinary banking business in New Zealand, finance its external trade, and until the establishment of the Reserve Bank managed its credit and currency. Before the war New Zealand was in a sense on the gold standard, for the law required that the notes in circulation—and all the banks had the right of issue—should not exceed the total of the coin, bullion and public securities, or be more than three times the amount of gold bullion held by the banks in New Zealand ; and the notes were convertible into gold. On the outbreak of the war these regulations were suspended, and they were never reintroduced, though the banks kept a stock of gold as a safeguard in case of their reintroduction. Even before the war, however, the real controlling factor of the credit and currency situation was not the stock of gold held by the banks in New Zealand but the balances held by them in London. These London balances were constantly being replenished by funds received from the sale of exports in the British market and diminished by funds made available for the purchase of imports. Interest payments also of course tended to deplete the balance of the Government's bankers, and loans

raised on the London market had the opposite effect. As exporters had to receive credit in New Zealand for the sale of exports and importers in New Zealand were the real purchasers of the imports, the mechanism by which the deposits and advances in New Zealand varied with the state of the London balances was fairly simple : if the yield of exports decreased, the banks took steps to reduce advances and thus, directly or indirectly, to diminish the funds available for the purchase of imports. The rate of exchange between New Zealand and London was of course a factor of fundamental importance, the more so as exports were concentrated within a few months of the year, but the traditional policy of the banks was to keep the rate steady, though of course there were minor fluctuations. The New Zealand pound was thus, until the end of 1929, at parity with sterling on a sterling exchange standard ; and the currency is on a sterling exchange standard still.

There grew up, however, in official circles a feeling that the New Zealand credit and currency system was not wholly satisfactory. One complicating factor was the connection of New Zealand with four Australian banks, whose London balances were held not for New Zealand purposes only but for Australian purposes also. It is widely believed in New Zealand, though the point soon lost its practical importance, that the initial depreciation of the New Zealand currency was due to this connection. Quite apart from this, however, it was an anomaly that the actual regulation of the currency should be as it were unknown to the law, and that the formal regulations, in suspense though they might be, should be based on nineteenth-century principles taking little account of modern progress in the art of banking. When in 1930 Sir Otto Niemeyer, an official of the Bank of England, came to Australia to advise the Commonwealth Government upon financial and economic policy, the New Zealand Government invited him to come to New Zealand and report upon the banking

and currency system there. His report recommended the formal adoption of the sterling exchange standard, and both because it would be difficult to make it mandatory upon commercial banks to buy or sell sterling at rates within the gold points and because of its positive advantages, it also recommended the creation of a Central or Reserve Bank. This bank would manage the note issue, accept responsibility for the rate of exchange, hold the reserve balances of the trading banks and keep the Government account ; and it would also be able " to exercise a gradually increasing influence over the credit situation in New Zealand, and by timely action minimize the disturbances in either direction which are liable to arise out of an unregulated or imperfectly regulated market." The argument that New Zealand's financial transactions were insufficient to warrant the establishment of such a bank was rejected.

For a time the Niemeyer Report seemed to hang fire : the currency situation in 1931-32 was obscure and the preoccupations of the New Zealand Government were many and embarrassing. On the other hand the increased use of Treasury Bills and the 5 per cent. interest paid on them emphasized the arguments for action. In 1933 the Minister of Finance took up the matter with vigour and the main proposals of the report have now been passed into law. It was a task of some difficulty ; for the commercial banks had no wish for a Reserve Bank to be superimposed upon them, the farmers were preoccupied with their own financial difficulties, and the Labour Party had rather bear the banks they had than fly to others that they knew not of. In order to enlighten the public the official case for the Bill was put in a series of articles in the principal newspapers before it was pressed in Parliament. It was nevertheless necessary to conciliate opposition by making changes in the Bill. It was agreed that the State should in the first instance appoint not only the

Governor and Deputy Governor but the Directors ; but it was originally proposed that after their first term of office they should all be elected by the shareholders subject to the approval of the Governor-General in Council. Among the business community in the towns there was considerable support for this proposal ; as the idea was to spread the shares as widely as possible among the people, it was not necessarily an undemocratic though it was a non-political method of choice. It was however viewed with suspicion by certain representatives of the farmers, who held that the Bank was to be the servant of the people and should therefore be controlled by the State, and who were no doubt afraid, in spite of certain safeguards in the Bill, that the institution would look at matters too much with the eyes of the townsman. In New Zealand, moreover, precedent is apt to tell in favour of State intervention. In its final form therefore the Act provided that after the initial period the Governor and Deputy Governor should be appointed by the Governor-General in Council on the recommendation of the Board of Directors ; that four directors should be elected by the shareholders, two being men with actual experience of farming and two with industrial or commercial experience ; and that three appointees of the Government and the Secretary to the Treasury, the latter however without voting power, should also be members of the Board. The aim of distributing the hundred thousand shares as widely as possible appears to have been achieved ; and precedent appears to indicate that, having asserted the right of the State to make its will prevail in matters of monetary policy, Parliament will leave them to be managed by those whose business it is to understand them. Another highly controversial part of the Bill in its final form was the provision for the transfer of the gold reserve of the commercial banks to the new bank at its book value of £3 17s. 10½d. per standard ounce. The banks strongly urged their



claim to arbitration at any rate and had a good deal of London opinion behind them : but the Minister of Finance strongly denied their right to make a profit on the gold and carried his proposal by a very large majority. There is a certain feeling in New Zealand on such matters, a feeling with which all Governments must reckon, that big business is fair game. In spite of the controversy surrounding the passage of what was for New Zealand a novel type of measure, there is every reason to hope that the establishment of the Reserve Bank is a step towards a better and more highly developed financial organization and a greater degree of monetary independence in New Zealand. In adopting it the Government showed themselves capable, as New Zealand Governments have too seldom been, not only of following but of giving a lead to opinion : and the concessions they had to make were a price which any Government would almost certainly have had to pay.

Even with a Reserve Bank in existence, of course, the ultimate financial responsibility rests with the Government. Advice is necessarily given by banks and other financial authorities, in London as well as in New Zealand, and Governments no doubt often defer to it ; but the pressure which is sometimes alleged in New Zealand as in other countries is a pressure not so much of sinister interest as of economic facts urged with expert knowledge. Critics who say that the country is run by the financiers do not sufficiently appreciate the weight which Governments with a sense of their responsibility must give to the advice of the expert. In New Zealand the financial responsibility of Governments since the war has been a very heavy one ; and if, in the face of insistent demands from public opinion, they have managed on the whole to secure for their policy the approval of financial experts, it is to their credit. It would probably be admitted now both by the responsible ministers and by the experts that they made serious mistakes ; but financial history since

the war is not such that any country can look back on it with satisfaction. New Zealand had inherited two policies which added complications to the financial organization of the State—the operation of many departments of a commercial character and the development of the country through public borrowing. There was no such Treasury control as in England: it was far from easy to discover the real results of the operations of some at least of the commercial departments, and the expenditure of the loans was determined with at least as much regard to political as to financial or technical considerations. These policies had established themselves in times of prosperity and expanding settlement when it was possible to tell commercial departments to go on and flourish and to treat the immediate profit-earning capacity of public works as a matter of secondary importance. One good, and it is to be hoped permanent, result of the last few years of stress has been to emphasize the essential unity of the whole structure. Treasury control has made progress. Departmental accounts have since 1920 been gradually reorganized on a commercial basis. Various commercial departments necessarily operate with their own money, but it is the duty of the Secretary of the Treasury in his capacity as Financial Adviser to the Government to promote the co-ordination of policy. Such capital accounts as the “lands for settlement” and public works accounts stand in a special position, but it is generally realized that such expenditure must be more strictly controlled from the financial and technical point of view than in the past.

New Zealand like all other countries engaged in the war emerged from it with an unprecedentedly high level of taxation and an unprecedentedly heavy burden of debt. Until the post-war boom burst it was impossible to call a halt, and a return to pre-war levels, even making allowance for the change in the value of money, was out of the question. The

increased taxation had chiefly been in the form of direct taxes, levied from the better-off portion of the community. The number of direct taxpayers increased from 12,000 in 1912 to 44,000 in 1921: more significant still were the facts that income-tax was for the first time really steeply graduated, reaching a level of 8s. 9d. at £7,400, and that farmers were required to pay not only increased land tax but income-tax as well. Companies moreover paid, as they always had done and still do, on roughly the same basis as individuals, and thus all companies of any size paid income-tax at the maximum rate. There was thus, once the boom burst, a loud outcry both from the business and from the farming community for the reduction of taxation. It was reduced in 1922-24, and income tax was taken off incomes derived from agricultural land. The recommendations of a Committee in 1922 and of a Royal Commission in 1924 in favour of taxing companies on undivided profits alone and transferring taxation to the individual receiving the income were however disregarded. There was no such weight of opinion in favour of a reduction of borrowing. The farmers were all in favour of Government economy, but not on their roads or their railway. The expenditure of funds on railways, on roads, on hydro-electric development, on the settlement of discharged soldiers on the land, on advances to settlers and workers, went steadily on. New Zealand's credit was good, but money rates on the London market, again the great source of supply, were higher than they had been in former days and costs in New Zealand were also higher: indeed the amount of Government borrowing was one of the factors making for high costs. Nor was it only the Central Government which borrowed: local bodies carried on such work as road and power development and tapped sometimes the London or Australian market, more usually the local market, for funds. By March 31st, 1926, the gross national debt, which had

been £201,000,000 on March 31st, 1920, had increased to £239,000,000, and the gross debt of local bodies had increased from £30,200,000 to £59,400,000.

The Government was by this time aware of the necessity of keeping a tighter hand upon borrowing. In 1926 a further check was imposed upon local loans in addition to the poll of the ratepayers, which had proved an insufficient safeguard. All local loan proposals were required to be submitted to a Local Government Loans Board consisting of the Secretary to the Treasury, the Engineer-in-Chief of the Public Works Department, and five other members with business, county council or municipal experience appointed by the Government. This body has not stopped, and was not intended to stop, local borrowing, much of which was definitely reproductive ; but it has standardized rates of interest and has been a safeguard against waste, duplication of services, and improvidence. It was not so easy to impose a check upon borrowing by the Central Government. The Minister of Finance who undertook the task was a man well fitted intellectually and temperamentally for the reconsideration of a policy deeply ingrained in the habits of the people ; but he was hampered by the existence of commitments only partially completed and by the fact that a serious curtailment of public works would mean at any rate a temporary dislocation of the labour market and of the national economy generally. It was often urged that the greater part of the debt was, after all, for reproductive works. The advances of over £33,000,000 to settlers had been a definitely remunerative investment. On the other hand the greatest of all the investments, the railways, had become a depreciating asset : indeed the Government itself was contributing to the depreciation by encouraging the improvement of the main highways. The policy of " tapering off borrowing " was all the more desirable because there was the load of war debt also to be borne, and there was consequently less margin to cover the cost of

unproductive capital expenditure. For a time the policy seemed to be succeeding : the net increase of debt, which was £11,000,000 in 1925-26, was only £7,000,000 in 1926-27, and £5,500,000 in 1927-28. The Minister looked forward to a time when the hydro-electric schemes and the railway lines and improvements under construction should be completed and loan expenditure reduced to such small dimensions that overseas borrowing might be unnecessary. The course of events, however, interfered with his plans. It has already been explained that in these years serious unemployment made its appearance in New Zealand : this seemed to be no time for reducing public works expenditure. The advantages of a curtailment of borrowing were only prospective : the disadvantages were immediate and obvious. Moreover the Government had come into power on an election cry of " getting things done " and this had generally been a euphemism for spending money. In the elections of 1928 a skilful electoral campaign brought Sir Joseph Ward back into power, and the principal item of his programme was the borrowing of £70,000,000 in ten years for railways and land settlement. The work of financial readjustment would have to be done again.

Sir Joseph Ward's programme was an attempt to apply traditional remedies to a new situation. Loans were no longer so cheaply raised : railways and land settlement were both more expensive, and railways at least were much more doubtfully remunerative than they had been in the heyday of the Liberal régime. The declines in the values of building permits, mortgages registered and discharged, land transfers, and railway freights, showed—in retrospect at any rate—that the economic situation of the country was not really happy, and the level of business activity was sustained chiefly by the Government borrowings. When the great American boom—itsself the result of an attempt to evade the consequences of a check to business activity—burst late

in 1929 and the depression gradually spread to New Zealand, it was much worse than anyone had expected, and the country was less prepared to meet it than it should have been. The levels of taxation and of local rates were high ; and out of the total expenditure from the consolidated fund of £24,700,000 in 1930-31, £11,000,000 was for debt service. One Government chicken had already come home to roost. With the steady deterioration of the railway finances, the disadvantages of State ownership were for the first time realized. It was not a question of stopping shareholders' dividends but of shouldering, in the interests of the State's credit, the loan payments which the railways themselves could not meet. In 1925 the finances of the railways had been to some extent separated from those of the General Government, and they had at first drawn upon their reserves, but by 1930 these were exhausted. Taxation on land had been increased in the 1929 Budget : in the 1930 Budget it was necessary to increase all the chief forms of direct and indirect taxation so as to raise another million and a half, and to provide for savings of about the same amount. It seemed at this stage that the crisis would be and could be met by the usual Treasury methods.

In 1931, however, the condition of the finances deteriorated in an alarming fashion. The fall in the national income due to the collapse first of wool but now of meat and dairy produce prices was being translated into an alarming fall in the yield of taxation. It was no longer possible to borrow, for London was unable to lend. The Budget of July 1931 predicted that the continuance of 1930-31 rates of taxation and expenditure would mean a deficit of no less than £6,850,000 : the flat rate of 10 per cent. additional income tax imposed in 1930 was increased to 30 per cent. and the exemption limit was lowered, customs duties were increased on a wide range of articles, and a wage reduction of 10 per cent. was imposed on the civil service. In October, however,

a supplementary budget statement was made on behalf of the newly formed Coalition Government, and it was announced that provision must be made for a probable further shortage of £1,750,000. Even this did not suffice: in February 1932 a further prospective deficiency of £2,100,000 had to be announced, though for the time being no attempt was made to cover the deficiency. The Government had rightly decided that the time had come for a thorough investigation by independent experts of the whole economic and financial situation of the country: on the one hand it asked the advice of a committee of economists on the broad lines of policy, on the other hand it set up a commission of business men to overhaul the departmental expenditure.

The recommendations of the economists were the more radical. They suggested a policy broadly similar to that which Professor D. B. Copland, a member of the committee, had successfully advocated in Australia.<sup>1</sup> They estimated that the national income had decreased from £150,000,000 in 1928-29 to £110,000,000 in 1931-32, and that in spite of such measures of readjustment as wage reductions and mortgage relief legislation the burden of the decrease was being mainly borne by two sections of the community, the farmers and the unemployed. There was too much rigidity in the economic and financial structure of the country and it was necessary for the Government to take measures to diminish this rigidity and spread the loss of income by internal readjustments. They looked mainly to a raising of the rate of exchange—in other words a depreciation of the currency against sterling—and a reduction of interest rates. It would also however be necessary to reduce wages and salaries and statutory allowances, perhaps by 10 per cent.; to separate unemployment from the budget and finance it by a special levy on wages and incomes; and to levy a sales tax.

<sup>1</sup> He had also advocated this policy while on a visit to New Zealand in June 1931.

These measures would reduce the deficit to the neighbourhood of £2,000,000, and the banks could safely finance this by Treasury Bills. The suggestion of currency depreciation was strongly opposed by the Secretary to the Treasury, who was also a member of the committee, on the ground that it would impose a heavy burden on Budget and would be a bad precedent, tending to diminish confidence ; and it was not adopted by Mr. Downie Stewart, the Minister of Finance in 1925-28, who had returned to the Treasury on the formation of the Coalition Government. The Minister also rejected the suggested conversion of the internal debt. The amount of the debt, even relatively, was smaller, the dates of maturity and the rates of interest were less favourable than in Australia : the savings, he thought, were problematical. He imposed a stamp duty of 10 per cent., however, upon Government and local body interest ; and he announced legislation for a 20 per cent. reduction, subject to certain safeguards, in other interest and rent. He imposed a second reduction—this time graduated—in public service wages and salaries, and a special unemployment tax, as recommended by the Economic Committee. He declared a deficit for 1931-32 of £2,000,000, and even this figure was only reached with the aid of the Hoover moratorium on war debt and other payments to the British Government, non-provision for Post Office depreciation and Superannuation Fund subsidies, and calls on reserves to the tune of £1,500,000. Fearing, no doubt, that the limits of taxable capacity were near, he budgeted for a deficit of £2,000,000 in 1932-33.

The National Expenditure Commission was opposed to special financing for unemployment but supported the wage cut. Its report by no means neglected economies in detail but came to the conclusion that the real way to financial reform lay through departmental reorganizations and stricter financing of Government enterprises. It recommended



revisions of fees to make certain activities self-supporting, and curtailment of certain services: it also exposed past weaknesses such as failure to give adequate support to the various superannuation funds and the tendency to meet out of loans expenditure such as replacements which should have been met out of revenue, and recommended reforms, notably the incorporation of public works estimates in the Budget and more adequate scrutiny of their real financial bearing. Though it was criticized in various quarters for attaching too much importance to immediate economies, the great value of the report lay in its exposure of unsound financial methods which had hidden from the people the real state of their finances and the real effects of their borrowing policy. Contrary to what might have been expected, the economists' recommendations had more bearing on the immediate problem, the business men's on the long range policy.<sup>1</sup>

The immediate problem was made worse by the financial crisis in Great Britain. It had been the practice of the Government to meet most of its sterling interest requirements by its London loans, conversely using revenue raised in New Zealand for the "loan expenditure." It was now impossible to count on being able to borrow in London, although there were not only the interest payments but £4,000,000 of Treasury bills to be met and greatly diminished export returns out of which to meet them. By arrangement with the banks the Government introduced a system of exchange control as from Christmas 1931. All goods had to be exported under licence, and exporters had to enter into a bond to remit all proceeds to New Zealand through a specified bank. The scheme was regarded by the farmers and a considerable section of the business community as a scheme for "pegging" the rate of exchange, and pegging it at a rate (10 per cent.)

<sup>1</sup> This is not intended as a criticism of the economists, who were asked to advise on the immediate emergency.

nearer sterling than the natural rate. The Government was after all able to float a loan of £5,000,000 in London and the position eased, so that the regulations were revoked next July, but the banks were said to be still pegging the rate of exchange. The pressure for a higher rate, that is for a depreciation of the external value of the currency, continued : quite apart from the farmers themselves, the financial institutions connected with farming were feeling the strain and the adjustment of costs to export prices made no very obvious progress in spite of the reduction of fixed charges. The economists were again called into consultation and reported that the situation had become worse. A division of opinion developed in the Government and the supporters of the high exchange gained the day. On January 20th, 1933, the banks, under pressure from the Government—only one bank being in favour of the high exchange—raised the rate for telegraphic transfers on London from £110 to £125 for £100 sterling. The Minister of Finance, who was a convinced opponent of the measure, resigned. The banks had exacted a price for their acquiescence : thinking that the rate was too high and that they might therefore be compelled to buy more sterling than they could sell to persons with sterling debts to meet, they secured from the Government a guarantee against loss through such accumulation of surplus funds.

The decision to "raise the exchange" evoked a storm of controversy. It was regarded as a sacrifice of urban interests to the interests of farming. Its immediate effect was, of course, to raise the price of imported commodities and to throw an increased burden of external payments—to say nothing of the contingent indemnity to the banks, which the economists had not taken into their calculations—upon the budget. The duties on tobacco, motor spirit, and sugar were increased, a gold export duty was imposed, and also a sales tax at the rate of 5 per cent. on the wholesale value. The exporters them-

selves did not gain all they hoped : they were now on a level with their Australian competitors, but within a few weeks the Danish Government, as the result of a political bargain with the farmers' party, depreciated their currency to about the same level. Butter prices accordingly fell sharply. Nevertheless the arguments for the measure were very strong, and it was probably not only inevitable but right in the circumstances.<sup>1</sup> The political arguments were plain : a Government which resisted the pressure might well have been overthrown by the farmers, and political confusion would have accentuated the economic crisis : a further reduction of costs by deflation would have been extraordinarily difficult, perhaps impossible, without great bitterness and industrial difficulty. The economic arguments were not so plain, but they were weighty. New Zealand, a country exceptionally dependent upon its export markets and therefore exceptionally sensitive to their fluctuations, had managed to develop an internal structure unusually rigid even in a world of increasing rigidity. The banks, which had learnt the lessons of sound finance, were among the strongest parts of the structure : their position was known to be sound, and honest and stable government had kept the credit of the country good, so that the exchange did not merely give way. A financial collapse in the farming industries would however have had widespread repercussions on confidence. The Government were probably right in thinking that a controlled rise in the rate of exchange was the best way of easing the strain. They were looking not for immediate but for delayed effects. Importers were hard hit, the more so since ill-founded reports of a reversal of policy later led to reluctance to enter on new commitments. But the country could still afford imports to the amount of its export receipts in sterling, less the amount

<sup>1</sup> A possible alternative—a direct subsidy to the export industries—had and still has supporters.

it required for its debt payments—no less and no more. At the same time the full bearing of the decision was probably not realized by many of its supporters. Constant depreciation of currencies is certainly detrimental to world trade ; and it is greatly in the interest of New Zealand that world trade should revive. There was in fact in the decision an element of irresponsibility : there was little sign of recognition that the revival of world trade could be helped or hindered by any measures taken by New Zealand. It was the best way out of a situation : but the situation, far more than has been generally admitted, was the result of previous mistakes of policy.

The new Minister of Finance showed himself aware that the rise in the exchange could only be effective internally if accompanied by some measure of credit expansion. He adopted another of the economists' proposals, the conversion of the internal debt. The reduction of interest was to be 20 per cent., subject however to a minimum of 4 per cent. or, for tax-free securities,  $3\frac{1}{2}$  per cent. Provision was also made for a 20 per cent. reduction in the interest on local body securities, the minimum in this case being  $4\frac{1}{4}$  per cent., and for further reductions in private interest charges—notably a reduction in the bank overdraft rate to 5 per cent. The conversion scheme was voluntary in form, but it was really compulsory : a  $33\frac{1}{3}$  per cent. tax was to be levied on securities bearing interest at more than 4 per cent. It was carried out in the name of equality of sacrifice and with many appeals to patriotism ; but the only real justification for it was necessity. It is generally admitted that the compulsory reductions of interest have caused many hardships and anomalies and if in addition they have caused investors to lose confidence the net contribution to recovery will be further diminished. One factor tending to keep overdraft rates up had however been the large fixed deposits with the banks, and the reduction of overdraft rates made possible by

the other reductions is of all these measures the one most likely to contribute to a revival of business. Owing to the holding of stock by Government Departments and the passing on of concessions to the Government's borrowers the conversion of £113,000,000 only relieved the Budget to the extent of £570,000 ; but its main object was not relief to the Budget but cheaper money.

In the course of 1933 the budgetary position began to ease. In January the Minister estimated the Budget deficit for 1933-34 at £4,500,000 ; in November his estimate was reduced to £2,000,000 ; and the actual deficit was £700,000. It is true that this figure was only reached by the use of £2,000,000 from reserves, and it was arguable that allowance ought to have been made for the purchase of the surplus sterling assets of the banks (now transferred to the Reserve Bank) ; but the improvement was real. The Minister consequently felt able in the Budget for 1934-35 to make a 5 per cent. increase in wages, salaries, and pensions, to reduce unemployment taxation, and to embark on a moderate programme of public works expenditure to the extent of £3,500,000. New Zealand is by no means out of the wood ; but improving tax yields and other signs appear to indicate that the acute stage of the crisis in public finance has passed. The new bond-issuing Mortgage Corporation should stimulate investment and thus continue the rehabilitation of private finance, with which public finance is indissolubly connected.

The financial system of New Zealand must be considered with due allowance for the fact that it has been passing through a period of severe strain. It is natural enough that in such times of strain financial expedients that are open to objection should be adopted. The crisis has to some extent been met by diminished contributions for maintenance and depreciation of assets that must nevertheless be maintained in the long run, and by a realization of

liquid assets which will diminish interest receipts in future. Direct taxation is naturally high. If income and unemployment tax be taken together, the rates on incomes from about £500 upwards are still slightly lower than in England, but they are higher above £1,500: the maximum rate of about 6s. 2d. on earned incomes is reached at £8,700. It is arguable that the percentage additions to the income tax and the unemployment tax of 1s. in the pound (now reduced to 10d.) upon all salaries and wages have fallen too heavily on the poorer sections of the community; but it has been urged on the other hand that the unemployment tax in particular will tend to promote a sense of financial responsibility in New Zealand, where the income tax exemption level had been high. Similarly the exemption of companies from an extra 33½ per cent. imposed on unearned income may well be justified if it is a step in the direction of taxing the individual shareholder on his dividends instead of taxing the company as an individual. The graduated land tax disappeared in October 1931, and there remains only a uniform tax of 1d. in the pound. Impartial students of the problem had come to the conclusion that the graduated tax had long ceased to perform its original purpose of breaking up large estates: its chief penal effect was in the towns, where for example it tended to deter large business firms from opening new branches. The small farmers dislike income tax because they often do not keep books, but they are still exempt if the unimproved value of their land is under £3,000. Death duties were considered by some authorities to be high before the crisis; and they have not been increased. There is some sign that as times improve there will be a return not to the old but to a better system of finance.

The most hopeful sign, taking a long view, has been the changed attitude towards public works borrowing. Ministers have spoken of the railway construction and hydro-electric power construction programmes

as coming to an end, and there is a widespread feeling that there has been over-borrowing and waste in the past. Few would maintain that there are no opportunities left for reproductive loan expenditure, but there is less tendency to be put off with phrases about the need of opening up the country and the indirect returns for such expenditure. It is no doubt unfortunate that at a time when costs have fallen and unemployment has risen opportunities for public works construction should be so restricted ; but that is the penalty paid for pressing on with them in times of high costs. This is an indirect return which was not taken into account. The undoubted difficulties of transition from a period of high public works expenditure to a period of lower public works expenditure must be faced. It is to be hoped also that the recommendations of the National Expenditure Commission as to stricter financing will be taken to heart. The superannuation question is a case in point. It was pointed out in an actuarial report to the Public Accounts Committee of the House of Representatives as long ago as 1906 that on the inauguration of the Funds there was a liability on the part of the Government for back service ; but the liability was never actually met. After the war, as a contribution to retrenchment, officers were encouraged to retire before their time without regard to the effects of their retirements on the Funds. Wages and salaries were raised without regard to the effects of the increased pensions on the Funds. It was always imagined that liabilities could be gradually met in good years ; but the good years were always round the corner. It is possible that payments will be met out of the Budget from year to year, the funds being used as a reserve : but in the long run the wiser and more courageous course would certainly be the gradual rehabilitation of the funds. An admission that the system had failed would be a humiliation for New Zealand democracy.

In its own interests democracy must develop a

sense of financial responsibility, for the fruit of financial irresponsibility is economic crisis, and prolonged economic crisis endangers any form of government. And the financial situation that faces the New Zealand democracy is not an enviable one. Stability is within reach, if not already attained : but the continuance of stability will require caution even in such matters as economic readjustment and social reform. The gross Government long term indebtedness of £284,000,000 is a heavy burden for a population of about a million and a half, even though 55 per cent. of it is interest-earning and the Government assets are valued at £386,000,000. The amount of the annual charge is roughly half the total Budget expenditure, and there is no immediate prospect of reducing it by a conversion of the external debt. This is in one sense not a new situation for New Zealand, but the limitation of her economic prospects, described in earlier chapters, is new. It is not surprising that there are new currents of opinion working against financial responsibility. The credit inflation scheme connected with the name of Major Douglas has secured a good deal of support, especially among the farmers of Auckland province. The Labour Party is at present committed to an ambitious and complicated scheme for a managed currency which is to keep the whole population in employment at an adequate standard of living. But there are many obstacles to be overcome before such financial panaceas, with their incalculable reactions upon the financial and economic structure of the country, can be applied. The importance of monetary policy has been increasingly realized in New Zealand in recent years : to believe that a democracy of small property-owners will be captured by risky financial schemes would be to assume that it will surrender to counsels of despair. So far New Zealand has managed, in spite of insufficient realization of the financial bearing of public works expenditure—and, perhaps, of some social and economic experiments—to maintain the



soundness of her banking system and the good repute of her Government upon the London money market. These are valuable assets, and it is hardly conceivable that in a vain belief that " things can be no worse " they will be thrown away.

## CHAPTER XI

### POLITICS AND ADMINISTRATION

It will be clear from what has already been said that New Zealand is very willing to use the legislative machine for the purpose of bringing about or hastening economic readjustment even where in many countries economic forces would be left to bring about the necessary changes. Yet the average New Zealander's attitude towards the political machinery which he uses with such alacrity is one of indifference, or sometimes of overt criticism. There is a depreciatory sense about the very word "politics" as it is commonly used in New Zealand. It is descriptive of a process of bargaining and wirepulling by which, so it is believed, various interests get what they can in the way of legislation, administrative favour, and money. There is no suggestion of actual corruption: the accusation that a politician is "not straight" is damaging, but it reflects upon the relation between his promises and his performances, between his words and his actions, rather than upon his personal probity. Nor has there been, at any rate until recently, any question of political reform. The fact is that New Zealand, ever since the democratic triumph of 1890, has taken not only its form of government, but the type of man brought to the front by that form of government, very much for granted.

The institutions of New Zealand are, of course, derived from Great Britain: they are of the British parliamentary type. But beneath the resemblances of form there is a good deal that is distinctive in their actual working. The absence of those great questions of foreign and Imperial policy which fall to the decision of the British Parliament is perhaps the

greatest single differentiating factor : but others will appear if the New Zealand political system is studied in detail.

Since the introduction of constitutional government in 1852-56 there have been two major changes in the constitution of New Zealand—the simplification brought about by the abolition of the provincial system in 1876 and the democratization which culminated in the introduction first of manhood and then of womanhood suffrage. The simplification was only apparent, for although the abolition of the provinces took local government “out of politics” it merely substituted one form of local government for another. The democratization stopped short at the House of Representatives, and the Legislative Council remains a nominated body. In 1914 Massey actually carried a Bill providing for the election of twenty Legislative Councillors from each island by proportional representation : but it has been, and seems likely to remain, a dead letter. Thus the Legislative Council consists of men appointed by the Governor-General—in effect of course by the Ministry of the day—for a term of seven years : they can be, and often are, reappointed. The members are often former members of the House of Representatives : they are as a rule, though not invariably, rather advanced in years, and though they are respected individually, they carry little weight as a body. Bills are frequently introduced in the Council by the Leader, who is a member of the Ministry, for the purpose of saving time whilst the House is engaged in lengthy debates ; but the most valuable work of the Council is done by its Statutes Revision Committee, to which Bills of importance are almost invariably referred for examination from the legal point of view. The tone of the Council is conservative, and it has shown itself sensitive on points of privilege. Not for a generation, however, has it embarked upon a serious conflict with the House of Representatives. If the last step in democratiza-

tion were taken and the Council abolished it would make little difference to the spirit of New Zealand institutions.

If the Legislative Council is a pale reflection of the House of Lords, the House of Representatives owes much to the traditions of the British House of Commons. The method of election—the “first past the post” system—is the same: the forms of procedure are similar and the Speakership carries with it the British tradition of impartiality and continuity of tenure: the Cabinet, the Whips, and the Leader of the Opposition have roughly the same parts to play as in the British Parliament. Yet there are significant differences between the two bodies. The House of Representatives consists of seventy-six European and four Maori members, elected until recently for three years: the life of the present House has been extended to four years and the alteration has since been made permanent. The number of members has since 1900 been stabilized at its present figure; but after each census there is a redistribution of constituencies by a commission, which is obliged by law to add a “country quota” of 28 per cent. in its calculations of population for the purposes of redistribution. In practice this has meant that at every second election two South Island country electorates are merged into one and a new electorate appears in the North Island, or, to be more precise, in the province of Auckland. Rapid population changes have made redistribution necessary; and its automatic character has avoided the possibility of flagrant maldistribution such as has occurred in the United States and sometimes, it is said, in Australia. Public sentiment seems to support stabilization as against the other alternative of expansion; for there is a widespread feeling that the House of Representatives is large enough and, if anything, too large. Public sentiment also seems to support the “country quota”; and it ought not to be left out of account in examining the causes of the dominance of the

farmers in New Zealand, though the farmers would be the strongest single interest even without it. Its chief effect is probably to swell the number of farmers in the House rather than to increase the weight of the farmers with the Government.

There can be little doubt that it would be to the advantage of New Zealand if there were a greater diversity of occupation and experience among the members of Parliament. It would be an affectation to pretend that the debates reach a high standard. Many members of the Labour Party are able debaters, and good judges consider that the increasing strength of this party has given greater reality to the debates ; but there is much truth still in Lord Bryce's remark that " the House of Representatives is in one sense too representative, for its members are little above the average of their electors in knowledge or ability." There has long been a half-hour limit for speeches, though extensions of time may be granted. This however has not prevented a fairly general public demand that Parliament should be more business-like. Talk tends to be the order of the day in the early part of the session, the Address in Reply debate being the great safety-valve by which members " let off steam " about their own grievances and those of their constituents. Legislation tends to accumulate and to be rather hurriedly passed at the end of the session. There is, it must be admitted, very little in the actual conduct of parliamentary business to win for Parliament the interest and respect of thoughtful men.

It must also be admitted that the public does not always make allowances for the difficulties under which Parliament works. Parliamentary government is government by discussion ; and those who do not believe in government by discussion ought not to believe in representative democracy at all. There will for that matter be discussion in any case : parliamentary government ensures that some at least of it shall be in public. Who, it may be asked,

is responsible for the congestion of the legislative programmes? Behind the Parliament which discusses the legislation stands the Government which introduces it: behind the Government stand the democracy and its non-commissioned officers, the newspapers, which demand it. The logical consequence of looking to legislation for salvation is not parliamentary democracy—for no Parliament can cope adequately with more than a certain amount of legislation—but bureaucracy. The overloading of the legislative machine may be eased by delegated legislation by Order in Council, which has been widely employed in New Zealand as in other modern democracies. The scope for an extension of the committee system, which might also ease it, is lessened in New Zealand by the small size of the House. In no spirit of criticism of the urgent and important legislation that has been passed in the recent years of crisis, it may be said that the task of keeping up to date and adding to the mass of social legislation that has grown up in New Zealand in the last forty years has imposed a heavy strain upon the parliamentary system; and that no satisfactory means of relief has yet been found.

Naturally enough in these circumstances, New Zealand has conformed to the modern trend which is strengthening the powers of the executive relatively to those of the legislature. Perhaps this trend can be traced back to the days of Vogel; and there has been no marked change since Seddon's time. Governments have been singularly stable. Only twice since 1891 has a Government been defeated—in 1912 and in 1928. The comparative homogeneity of the people has no doubt helped to maintain this stability: there has been a considerable measure of agreement as to the political needs of the time. On the other hand, homogeneous though the country is, tradition requires that the claims of the different provincial districts shall be considered in the formation of Cabinets. There is some real difference of outlook,

though it is difficult to define its nature ; and there is some feeling that unrepresented districts might be neglected in the distribution of favours which has in the past made up so much of the business of government. Not only local claims but long service have to be considered : for the Cabinet is large in proportion to the size of the House and the number of safe parliamentary seats is small. There are at present ten Cabinet Ministers, but there have been as many as fourteen—half the number of the party from which that particular Cabinet was chosen. The small size of the Government in relation to its own party, of which this certainly was an extreme example, also gives disproportionate influence to the vote of the individual member or of the small group. So far as this makes for really independent criticism it may be good ; but too often it has meant pressure from a small section for legislation or for public works. The possibility of real independence might be greater if the House were larger and contained a wider variety of outlook and knowledge. Indeed the New Zealand parliamentary system has tended to produce not only Parliaments but Governments of too much uniformity of type—containing some real ability, but without that variety of talents, experience, and character which is required for effective leadership in these complex times.

The key to the working of parliamentary democracy is to be found in the party system. In spite of recent examples to the contrary, party governments are the rule and coalition or national governments the exception. At the same time the nature of the party system varies widely in different countries ; and the party system as New Zealand understands it is a different thing from the English party system. The Reform party, the party of Massey, and the United party, the lineal successor of the Liberal party of Seddon, joined in a Coalition Government in 1931 ; but the parties are still in being and a brief sketch of their character and development in recent years is

still relevant to the political situation. The coalition was the natural outcome of the approximation of their programmes which had gone on since Labour had hived off from the Liberal party. Yet there is some significance in the fact that it was long in coming and is not yet complete. The Liberals retained an affection for a change in the electoral system, though they wavered between proportional representation and preferential voting. Certainly the first past the post system produced some curious results. In 1919 the Reform party secured only 37 per cent. of the votes, but a comfortable majority in the House: in 1922 they increased their vote by a greater percentage than any other party, but retained only 38 seats: in 1925 they further increased their vote, this time to 47 per cent. of the total, and with it won 55 seats out of the 80. The general impression at that time, however, was that the Liberals were advocating electoral reform mainly in order to save themselves from extinction: they were not only shrinking in numbers, but were divided amongst themselves. In 1928 a surprising reversal of fortune occurred. The Reform vote declined by 45,000; the Labour vote increased by 15,000, the "United" vote by 89,000. Labour preferred the United Party to the Reformers and Ward, their leader, was thus able to form a government.

Undoubtedly the return of Sir Joseph Ward, after some years of ill-health and political eclipse, was a great factor in the Liberal revival; and his financial reputation and his programme of borrowing for railways and land settlement made an appeal to a country perplexed by the appearance of unemployment. The unsatisfactory working of the dairy control scheme had perhaps lowered the prestige of the Reform Government. At the same time the most remarkable gains of the United Party had been in Auckland, where from being a negligible factor they became the majority party, winning five out of the eight city seats—three from Reform, and two



from Labour. This fact seems to lend support to the view that the urban business interests had definitely thrown their weight against the Coates Government. It is possible to attach too much weight to party programmes : it is the translation of them into action which reveals the real aims and policy of Governments. After the war Massey had, under pressure from the younger men, shed a good deal of his conservatism and indeed adopted most of the traditional Liberal policies ; and this tendency was carried further under his successor. The Reform Governments launched out into new experiments such as family allowances, rural intermediate credit, export control, control of motor omnibus competition with municipal tramways. Some of these measures were supported in principle by the Labour Party, but they were not much liked by the commercial men and the manufacturers, who also felt that the Reform Party was too much under the influence of the farming interest. Liberalism was still not extinct among the smaller farmers and business people, particularly in the smaller towns where Labour had not made much headway. In Ward's party there was thus an alternative government which might, it was felt, be able to hold the balance more evenly between town and country and keep the State to its existing functions ; and Ward's programme, regardless of the fact that the Liberals had once been the great protagonists of State interference, was skilfully designed to satisfy those who called for less Government in business. The Ward Government, though it contained three farmers from the first and later added a fourth, was more heavily weighted with representatives from the cities than any Government had been for years.

The reality, nevertheless, differed from the expectation. The Government was dependent on Labour support : it was lacking in experience and in unity, and its leader was unable after about a year to stand the strain of the Prime Ministership. It

seemed to be losing ground when in 1931 the deterioration in the economic and financial situation forced upon it a change of policy which was rejected by Labour and made it dependent for its majority upon Reform. In April 1931 the Prime Minister, Mr. G. W. Forbes, made one of those coalition proposals which had for years past been recurring events in New Zealand politics. There was reason to doubt at first whether the overture would be successful : there had been more real divergence of policy between the parties since 1928, on the matters of borrowing and relief works in particular ; the Reformers had been improving their organization ; and there was a feeling in some quarters that Labour would ultimately gain by a coalition of the other parties. On the other hand, a rejection of fusion by the Reform leader at a time so critical for the country would have given a great tactical advantage to the Prime Minister, the more so since his offer had been a transparently honest one : it would perhaps have split the Reform party itself. The real seriousness of the situation was revealed to a committee representing all three parties ; and the formation of the National Government in Great Britain was an encouragement to disregard old party rivalries. On September 18th, 1931, it was announced by the Prime Minister that a coalition government of the United and Reform parties would be formed. It was not without significance, however, that the new Government did not differ from the old merely in party composition. It became predominantly a farmers' Government, with only one representative, the Minister of Finance, from a city constituency : when he resigned in January 1933 it became more of a farmers' Government than any New Zealand Government had ever been. In the stress of the crisis the differences of outlook between large farmers and small farmers, North Island farmers and South Island farmers were realized to be matters of secondary importance. It is no reflection on the patriotism of the party leaders to

say that of all the ties cementing their coalition the strongest is the belief that the national interests are above all bound up with the interests of farming.

Even before the days of the coalition the Reform and Liberal parties had nothing to compare with the great English party organizations. There was a National Liberal Association in the early 'nineties, and a similar organization on the other side, but they had not much vitality. The parties were to all intents and purposes the party caucuses of members of Parliament. There might be an office in Wellington and local committees in constituencies, but the names of their members were not publicly known, and there was little or no party propaganda except of course during election campaigns. The selection of candidates was left, it would seem, to these local committees, though the party leaders in Wellington would determine, if there was more than one aspirant, to which they would give their support. These decisions were not however made until the triennial election campaign was approaching : at other times the whole organization was dormant. These methods of selection naturally tended to give preference to well known local men : though there is no legal rule, practically every member of Parliament is, or was when first elected, a resident of his constituency. In country constituencies he is probably a successful farmer with some local government experience. Financial considerations would no doubt be a bar in most cases to the candidature of promising young men sponsored by party headquarters, for the salary is only £364 10s. and absence in Wellington is a serious obstacle to business ; but if the financial difficulty were absent, the strength of local sentiment and the weakness of party organization would make it, in country constituencies at any rate, a virtual impossibility. It is nevertheless unfortunate that a country with a strong belief in democracy should have no machinery for bringing able men into politics while still comparatively

young. Another effect of the same set of causes is that a member's political career is virtually bound up with his success in a particular constituency. There might conceivably arise an opportunity in an immediately adjoining constituency, which for practical purposes shared the same local sentiment: but in general once a candidate, even a member of the Ministry, is beaten, he must wait three years for another chance—if he has not meanwhile been diverted from politics by the necessity of attending to his private affairs.

Why have parties been so weak in New Zealand? One contributing cause is, no doubt, the shortage of funds. Democracy has been reluctant to admit that the parliamentary system works through parties and that parties require money to carry them on. The problem has often been solved in practice, in spite of the fact that money is seldom given except for value received: in England there have been honours, in America offices to reward such party services. Is it perhaps partly because New Zealand politics are "clean" that they are poor? There are, however, other causes that contribute to the weakness of party organization. In Great Britain the possibility of dissolution makes it necessary for organizations to be in constant touch with the constituencies, lest they be taken unawares by an election. In New Zealand the power of dissolution exists, of course, but it has become virtually atrophied. Since parliaments became triennial Governments have always shrunk from the expense and trouble of an additional election. Massey carried on for three years with a precarious majority of three independent votes: he probably owed his success to the fact that no party cared to incur the odium of forcing a dissolution. Thus parties can reserve themselves for the regular election campaigns and an occasional by-election. Undoubtedly, however, parties as such are weak in New Zealand mainly because the average New Zealander is not a party man at all. He may

habitually vote for a certain party, but what counts is not the party as an entity, but the personality of its local candidate and of its leader. It would be well indeed if the personalities counted for more. Vogel and Seddon encouraged the habit of sending men to Parliament to get what they can for their constituency. This habit may have weakened somewhat; but in quite recent years there have been murmurs against even Ministers who have "done nothing for" their constituency. The passing of money between the candidate and the electors would be punishable by law: but the passing of money between the Public Works Fund and the electorate is legitimate politics!

With this rudimentary party organization it might be expected that the position of the Prime Minister would be stronger than it normally is in Great Britain, that he would be less of a party and more of a national leader. In one sense this is true. Since it became a democracy New Zealand has been kind to its Prime Ministers. Seddon and Massey both remained in office for thirteen years and both died in office: in both cases—and in others—the first few years were a period of probation in which the chosen leader of a party was as it were qualifying for leadership of the country. This may or may not become a political tradition. In other ways, however, the position of the Prime Minister is weaker than in Great Britain. A breach between a member and his party, to judge from various examples, does not appear to weaken the position of the member in his constituency. This is a minor matter. More important is the fact that the Prime Minister has not a party in the English sense of the term behind him. It may be said that it is an advantage that he must rely on the loyalty not only of a party but of the nation. But if the nation is not divided into parties it is divided into interests. The country is not much moved by party loyalties but it has in the past at any rate been very much moved by material interests:

and it may well be that the pressure of these interests has been harder to resist because the Prime Minister has had no organized body of loyal supporters.

The pressure has been exerted in two ways especially. Seddon began the practice of keeping in touch with public opinion by touring the country and receiving deputations ; and it has been impossible to break with that thirteen years' precedent. The custom has its value : it brings new Ministers in particular into touch with the work of their departments. But too often the purpose of the deputation has been a request for the expenditure of public money on some local work and there has been a more or less veiled allusion to the political consequences of a refusal. The phrase " Government by deputation " has been coined to describe this state of affairs. Another form of pressure, less objectionable in itself, has been agitation by organized interests. It might be argued with a certain amount of plausibility that the Farmers' Union, the Sheepowners' Federation, the Importers' Federation, the Manufacturers' Federation, the Alliance of Labour—and, it might be added, the prohibition and liquor organizations and the Bible in Schools League—take the place of political parties in New Zealand ; and that the electoral machinery exists for the purpose of finding a Government and more particularly a Prime Minister that shall hold the balance and assign to each its quota of legislation or public money. The main function of the Farmers' Union is, in its own words, " to keep and maintain a vigilant watch over all legislative measures brought before Parliament and to protest against such measures as are deemed injurious to farmers' interests " ; and this is at least one main object of the other bodies. No doubt the balancing of interests is part of the business of all democratic governments, of all governments in fact of any kind : even under a Socialist Government it would merely change its form, and one of the objects both of the Socialist and of the Corporative State is, no doubt,

to regularize it. Representative democracy, however, rests more particularly—as all Governments must rest in one way or another—upon the belief that there are interests which unite men besides the material interests which divide them, love of country, love of one's neighbourhood, political traditions, loyalty to a leader, to a party and to a cause. New Zealanders possess these characteristics, but they have not applied them much to politics. When the Minister of Finance resigned on the exchange question in January 1933, he was a good deal criticized for resigning instead of staying in the Government "to defend city interests." There appeared to be a genuine disbelief that Cabinets could rest upon anything like unity of conviction.

In all these remarks about the party system, however, an important qualification must be made. Labour has never held office and so cannot be judged by quite the same tests as the other parties : but it is, to a much greater extent than the others, a party in the British sense of the term. Its model has of course been the British Labour Party ; and, though it is not so highly organized, it seeks not only to arouse enthusiasm but also to educate its supporters in its principles. It holds a conference once a year : it has a National Executive, and a system of branches and Labour Representation Committees : and these committees, if necessary after a ballot of members, select the parliamentary candidates with the approval of the National Executive. The cost of the organization is defrayed by a subscription of 2s. 6d. from ordinary members and a capitation fee from affiliated organizations. The Labour Party carries on a much more continuous propaganda work than the others in the constituencies. Considering that its effective existence dates from the end of the war, it has met with remarkable success. It has about 33,000 members, about 4,500 being ordinary members of branches and the rest members of affiliated trade unions. But its total poll is very

much larger : at the election in 1931 it was about 240,000. The trades unions, whether affiliated or not, are very sympathetic to the party ; and shortage of funds is no doubt a reason why the affiliated membership is not greater. There are good judges who think that many who vote Labour are not really Socialist, but vote for the party as the champion of the working classes and as most likely to secure them an improving standard of living. Affiliated members, on the other hand, pledge themselves to accept and work wholeheartedly for the Socialist objective and the platform of the party. As things are, however, the party can count on a considerable number of devoted and energetic supporters. Their members of Parliament, who are pledged members and are also pledged to vote on all questions in accordance with the majority decisions of the parliamentary party, are as a general rule not only honest and conscientious but thoughtful and reasonable men. The majority of them are or have been trade unionists, but they also include professional men and men in business in a small way, and to say that their general information is wider than that of typical members of other parties is to state a generally admitted fact. They have been led with ability, though some think without much imagination. In form, of course, the party platform is drawn up by the Labour Conference ; but in fact the Conference is responsive to leadership from the men who have done most of the thinking and borne most of the responsibility. There is some tendency on the industrial side of the movement to say that it is run too much by the political leaders, and some criticism of them on the Left from younger men ; but their control does not seem in serious danger. There is good reason for thinking that the party has not yet reached the limits of its power.

The actual programme that the Labour Party would carry out in office would naturally depend upon the circumstances in which it found itself in



office. Its programme has always been Socialist, but there has been a certain change of tone in recent years. The original leaders of the party were men born and bred in the Old Country or in Australia, where social contrasts were greater and classes more deeply divided than in New Zealand. In the second decade of the present century, under the inspiration of some of these men, class-war doctrines obtained a strong hold over Labour in New Zealand : but with greater experience of New Zealand conditions and of parliamentary business, the leaders, without losing their Socialist faith, began to adopt less of the tone of demagogues and more of the tone of statesmen. From the very fact that the party rests more upon common political beliefs, there has tended to be more of a purely political element in its programme than in that of other parties, and relatively less about the development of the country. At the Party Conference of 1934, however, one of the main political planks, proportional representation, was removed from the platform ; and the emphasis in recent years has been on economic policy, with special reference to the crisis through which the country has been passing. At the 1931 election the party proposed to raise funds in New Zealand " to carry out a bold policy of industrial development, primary and secondary " and to invite the co-operation of the Associated Banks and leading citizens for the purpose ; and the word Socialism was not mentioned in the election programme, though that is not to say, of course, that those who drew it up were not Socialists. The present programme is more radical, though its emphasis is still upon present-day problems rather than upon more distant ideals. Its keynote is that overseas prices and conditions cannot any longer be allowed to dictate New Zealand's standard of living ; that by proper planning of production, with control of marketing and finance, New Zealand can establish her own standard. It proposes immediate control by the State of the entire banking system ; guaran-

teed prices, wages, and salaries and reduced hours of labour ; fostering of secondary industries ; better pay and more productive work for the unemployed ; conservation of present holders' interests in land and homes (which many workers own) by readjustment of mortgages ; and negotiation for lightening the burden of overseas debt. There is more in this of Roosevelt than of Karl Marx ; and there is much in it that might appeal to hard-pressed small farmers. The difficulty is that, in common with other " Plans " it underrates the importance of factors external to the country. The belief that New Zealand can establish her own standard of living is one of the beliefs that ought to have been weakened by the repercussions of the world economic crisis. It is nevertheless possible that out of divergences of opinion on such matters as this will come the real division between parties in New Zealand in future ; and such a division would be more educative and of better augury for the future of democracy than the sham fighting which has so often passed for party politics since the war.

There has in very recent years been some sign in New Zealand of dissatisfaction with all the existing parties. There are a few Communists, but their importance is very small. As has already been mentioned, the Douglas social credit theory has won many supporters, and the Country party, an Auckland organization which has one representative in Parliament, has shown itself sympathetic : it is difficult to gauge the prospects of this movement, but it can hardly go far unless it can patch up some sort of alliance with Labour. In the more conservative parts of the country an organization known as the New Zealand Legion has made considerable progress ; and it claims almost as many affiliated members as the Labour Party. It disclaims the title of a political party and professes to be " simply one big organized union of the public for the public good ; " but with its organization of branches and study circles, and even its profession of devotion to the public good, it

is remarkably like a political party as the term is commonly understood outside New Zealand. It has undoubtedly attracted the support of many young men, of the professional classes for example, who have been brought for the first time by recent events to realize the importance of politics and find no existing organizations to give them an outlet for their energies and a political education. A Mussolini might make the organization Fascist ; but there is no Mussolini in sight. It has yet to be seen whether it can evolve a programme which can hold it together ; so far it has been a sort of cave of Adullam, to which has flocked everyone that was discontented—and was unsympathetic to the Labour Party. There appears to be real conviction in its denunciations of the domination of sectional interests, of rival schemes of spending, and of State paternalism, and in its search for a better, simpler, and less expensive form of democratic government ; but it might fairly be said that the Legion might best fulfil its professed objects by introducing new blood into existing parties. In its renunciation of the aspiration to control the government and its proposal to exercise its votes to effect its purposes it seems to be carrying on the very custom it denounces—not to be freeing members from party pledges but to be tying them. It is probable that a real, though unavowed, object of the Legion is to provide, as in 1928, an alternative both to the existing Government and to Labour. If however it refuses to carry its attitude to the logical conclusion and become a new party, it is difficult to see how it can exert much influence on the course of events : whereas if it does develop into a new party with candidates of its own, Labour may well be the chief beneficiary. Much is to be gained from an informed and impartial consideration of the working of democratic government in New Zealand, if the results can be impressed upon the public mind, but not much from a general denunciation of " party politics " in a country where the real nature, limits,

and advantages of parliamentary government are but little understood. There is no reason to think that the parliamentary system is in danger in New Zealand; but it is true that so far it has not been seen at its best. The first step towards strengthening its hold upon the people would surely be to send more able men to Parliament.

The limitation of choice of Ministers, the restricted possibilities of real political training, and the complicated State organization that has been called into being by the demands of the democracy combine to make Ministers peculiarly dependent on their departmental advisers. The organization of the civil service has since 1912 been removed from political control and vested, so far as most departments are concerned, in an independent officer, the Public Service Commissioner, appointed for seven years and irremovable except in case of misbehaviour or incompetence. Recruitment for cadetships and junior posts has until recently been through a special examination: this has now been discontinued and the University Entrance or Matriculation examination is accepted as an equivalent, preference being given to applicants with higher qualifications. The position of professional and technical officers is admittedly different. Medical Officers of Health, Actuaries, Inspectors of Factories, for example, are usually, and Engineers, Geologists, Surveyors, Law Officers, to give some further examples, are sometimes chosen by special appointment from outside the service. In filling a position, however, the Public Service Commissioner is only permitted to go outside the civil service if in his opinion no person in the service is fit for the position. The Railways Department, the higher ranks of the Post and Telegraph Department, the Police and Defence Forces, the judges and magistracy, certain officers of Parliament and of the Legislative Departments, and the teaching service, are outside the control of the Commissioner.

The introduction of this system was undoubtedly

a change for the better. Under the previous régime members of Parliament were forced by pressure from their constituents to act as labour agents for the public service : there were many " back doors " into the service and the conditions were unsatisfactory in regard to promotion and other matters. No one now doubts that the civil service is honest and competent and that it exercises its great influence with a real desire to promote the public good. It is more questionable whether the system is such as to secure for the civil service a substantial number of men and women of really first-rate ability : and New Zealand's need of such men is at any rate not less than that of other countries.

There are two obstacles in their way. In the first place, there is no opening except in the professional and technical posts for university graduates. There is an administrative grade, but it is recruited from within the service. In a recent annual report the Public Service Commissioner declares that no practice which might be inferred to give an undue advantage to those who can afford to continue full-time studies at a university is likely to meet with general approval in a country so democratic as New Zealand : he also points to the facts that, on the one hand, the University of New Zealand has not the facilities for training in public administration and in the social sciences that exist in the universities of the United Kingdom and, on the other hand, officers in the service are encouraged to attend university courses in their spare time. These remarks are true enough, but they miss the real point of the criticisms that are beginning to be heard. It would not be practicable or desirable in New Zealand to reserve administrative posts to those entering the service with a university degree : the career must be left open to the talents even if those talents are late in maturing. It ought however to be practicable, and is surely desirable, to open a career to those who happen to be able, and wish, to take a full university course. Fair competi-

tion is not, surely, an undue advantage. To holders of scholarships and bursaries, a class from which the civil service certainly ought to draw and which is drawn from all ranks of life, university education is free: why should the State shut the doors of its own service to those who take full advantage of its own education policy? Nor can anyone with experience of part-time university education say that it bestows on the student all that a university has to give: half a loaf is better than no bread, but it is not as good as a whole loaf. In any case these civil servants for the most part take professional courses for law or accountancy degrees. It is not the professional schools of public administration and the social sciences that train the British civil servants who, as heads of departments, are the admiration of the world: they may be graduates in classics or in mathematics, but they bring from the universities a capacity for distinguishing between the essential and the unessential, a trained and critical mind.

The second obstacle is the scale of payment in the higher civil service posts, which the Public Service Commissioner rightly calls low. There are nearly fifty heads of departments in the civil service in New Zealand, but in 1933 only eight of these were receiving more than £1,000 a year. Reform of recruitment might bring into the service a few men, well worth having, with whom the work counts for more than the pay; but the low remuneration as compared, even in New Zealand, with that of commercial or professional life must necessarily exercise a deterrent effect. The amount going to officers with more than £620 a year is only 2 per cent. of the total salary bill: yet the cry against "highly paid civil servants" finds willing listeners. Seddon worked his civil service hard and constantly gave it new functions, but he did not pay it accordingly; and the tradition took root. It pleases the equalitarians; and it does not perhaps altogether displease the average business man.

Even under the present system, however, there

are many able men in the higher ranks of the departments. Though it is impossible in practice, especially in view of the right of appeal to an outside board, to disregard seniority, promotion is sufficiently rapid to bring exceptional men to the head of a department while they are still in the prime of life. It is only to be wished that all departmental heads were on the level of the best. On the technical and scientific side the departments seem to be particularly strong. But it must be said of the service as a whole, that it appears, owing no doubt to the isolation of the country and the rarity of outside contacts, to be even more liable than civil services are apt to be to the charge of lack of imagination.

In New Zealand as elsewhere much of the work of administration is devolved by the Central Government upon local authorities in town and country. The Central Government, as in Great Britain, exercises control over the local authorities in certain matters ; and it has worked through them to a large extent in its unemployment policy. It pays certain subsidies on rates and allocates to the larger boroughs part of the proceeds of the petrol tax ; and it makes occasional special grants. But there is no block grant system as in Great Britain, and certain services to which those grants apply, such as education and police, are not controlled by the local authorities in New Zealand.

The larger towns are run in businesslike fashion. They are controlled by elected bodies : the elections are biennial, and the mayor as well as the councillors is directly elected. The Labour Party has introduced politics into municipal elections ; but politics are more in evidence in the electoral campaign than in the council chamber. Municipal trading was begun before the Labour Party was heard of : gasworks, waterworks, and tramways often are municipally owned, and Wellington has a successful Milk Department, which supplies about two-thirds of the city's milk. The management of these undertakings

and of the finances of the larger towns has been prudent and capable. The majority, including Wellington and Christchurch, have elected to adopt the system of rating on the unimproved value of land. There is perhaps room for the amalgamation of certain boroughs with the cities whose suburbs they are ; but this is not an issue of major importance.

The position is not so satisfactory outside these towns. The real origin of the present system of rural self-government in New Zealand was the reaction from the provincial system abolished in 1876. The areas were, of set purpose, made small. There are 125 county councils in New Zealand, administering populations ranging from 25,000, with a gross rateable value of more than £12,000,000, to 400, with a rateable value of £120,000. There are also 122 borough councils and 67 town boards, administering populations sometimes of only a few hundred. The small size and scanty population of some of these local authorities made it necessary later on to create new authorities for special purposes, such for example as Hospital Boards, Land Drainage Boards, and Electric Power Boards. Other authorities such as Road Boards and River Boards exist within the counties. The result is a perfect maze of local authorities, each with rating powers. Some of the counties themselves, when they have paid their clerk and their engineer, have almost exhausted their revenue. The financial management of these bodies has not always been well considered ; and though the Local Government Loans Board already mentioned introduced a safeguard for the future, one North Island county and one small borough have virtually gone bankrupt, and the elected authorities have been superseded by a Government Commissioner. To add to their difficulties, many North Island counties have long been hampered by inability to collect rates on native land.

Reform of this system of local government has long been recognized as necessary by far-seeing men.



In 1912 a conference of more than ninety local authorities actually agreed unanimously to a far-reaching Bill ; but when it came to putting these resolutions into practice the Bill could not be got through the House. Even a member of a Rabbit Board is a voter ; and a chairman of a County Council is often a Government member of Parliament. It was said to be a political maxim of Massey's never to antagonize the local authorities ; and the more there are of them the more formidable is their opposition. Recently, however, the question of local government reform has at last begun to move on a stage. A conference of the Counties' Association itself agreed that larger local authorities were needed, and a commission is to be appointed by the Government to consider the matter. It seems clear that the intention is to follow up the investigation by action. The criticism has been made that the terms of reference of the commission may be too narrow, and it may well be that the formation of larger counties, absorbing some of the other local authorities, only touches part of the problem ; but it would at least be a beginning of the overhaul of administrative machinery. As larger local authorities tend to attract abler men, and local authorities tend to be a training-school for parliamentarians, it might even have repercussions in national politics.

New Zealand at present thinks rather unkindly of politics and politicians. Whether this dissatisfaction will bring Labour for the first time into power, whether it will lead to a realignment of parties, or whether it will merely turn to apathy with the coming of greater economic stability depends partly upon the interplay of events and personalities in New Zealand, but partly upon the general trend of affairs in the world. Imaginative leadership might seize the opportunity to transcend the thinly veiled conflict of economic interests, which without such leadership may well become intensified. It is at any rate possible, and it is much to be desired, that the

present dissatisfaction with things as they are will bring into politics a greater proportion of the latent political ability of the Dominion. It is only a prosperous community that can afford to ignore or underrate the importance of politics, the art by which societies are held together and adjusted to the demands of their own several members and the outside world. Now that New Zealand is no longer so prosperous, there are signs that politics may play a more important part in its life. There is still, it is true, too much denunciation of politics as if it were a calling unfit for right-thinking and high-minded men. That should not be so lightly said of an art which has on the whole been more successfully practised by the British people than by any other. Political apathy is the first step to political slavery. If New Zealand wishes—as she certainly does—to remain a free democratic community, she should see to it that her present confused but genuine stirrings of interest in politics are turned to good purpose.

## CHAPTER XII

### THE STATE IN ECONOMIC AND SOCIAL LIFE

It has been shown in the historical chapters of this book how important was the part played by the State in the economic and social development of the New Zealand community. Even with the great extension of State activities in Great Britain during the twentieth century the Government bulks much larger relatively to private agencies in New Zealand. At the last census, in 1926, there were 45,400 General Government and 35,500 local government employees, in all 13.7 per cent. of the breadwinners of New Zealand. For this reason New Zealand is a particularly interesting field for discussion of the past, present, and future of State enterprise, the more so since the opening up of the country, in which the State has played a predominant part, now belongs so largely to the past. It must be admitted that there has not been much general discussion of this matter in New Zealand, for even the educated public tends to be more interested in specific practical problems than in general ideas; but recently the practical problems have raised wider issues that can hardly be evaded, and there are signs that the country no longer takes State enterprise quite so much for granted as in the past.

Many of the economic activities of the State in New Zealand are direct legacies from the pioneering period. Land settlement has ever since the abolition of the provinces been controlled and directed in large measure through the Department of Lands and Survey. The activities of this department were widened by the Land for Settlements Acts of McKenzie and his successors, by the Discharged

Soldiers Settlement Act, and by various land development measures. Its earlier history has endowed it with a decentralized administration, a Land Board sitting in each district with the Commissioner as a check upon favouritism and other abuses ; but it has now become essentially a financial department, supervising or administering securities for loans and the expenditure of public money on land development schemes. The assets it controls were valued by the National Expenditure Commission of 1932 at £47,000,000—£32,764,000 of it invested capital. At the same time there has been a certain slowing down of its expansion in recent years. In the first decade of the Land for Settlements Acts the State expended nearly £3,500,000 in repurchase, in the second decade more, and 1915-20 over £4,000,000 ; but since 1920 little more than £2,000,000 has been expended. This scheme has been an important agency of land policy, reconverting nearly two million acres into leasehold, farmed by more than 7,000 Crown tenants ; but it has lately been viewed with a rather critical eye. The State has sunk a great deal of money in land settlement under this and other schemes—more than £25,000,000 according to a recent writer. The principle of compulsory repurchase of lands suitable for closer settlement has not been abandoned : in the new scheme for small farms for the unemployed, land that is not being productively used “ to a reasonable extent ” may be thus acquired. But experience has brought doubts as to how far the State has in the past got value for its money. In theory rents were fixed so as to recoup the State ; but in fact money was brought into the Land for Settlements Account from the sale of ordinary Crown lands, and rents did not allow for delay in taking up subdivided land, abandonment of holdings, remissions, and pressure from Crown Tenants’ Associations for revaluation. The National Expenditure Commission reported that the time was fast approaching when the income of the

Account would be insufficient to cover interest on loans and administration costs. The Commission also estimated the cost of placing an individual settler on the land at £2,800, and though this may since have fallen, there is no doubt that the State is less happy in its rôle of landlord than it used to be. What with the financial problem and the marketing problem the promotion of land settlement by the State raises more difficult questions of policy than in the past.

Since 1894 the State has also promoted settlement through its advances to settlers. The total advances made have been over £47,000,000, in more than 83,000 loans; and the total repayments have been over £23,000,000. These advances have been made on urban as well as rural land; but of the advances outstanding on March 31st, 1934, nearly 17,000, to an amount of £18,000,000, were to country settlers. They have been made on a conservative basis, though the former limit of three-fifths of the value of the security was increased in 1923 to three-fourths; and they have on the whole been strikingly successful. The low rate of interest and the instalment repayment system have been attractive to the borrower. On the other hand the very conservatism of the State Advances Office has had its drawbacks. It has made the position harder for those not financed through the Office; and the offering of the more doubtful securities in the private mortgage market was one factor making investors disinclined to advance funds on rural securities. It is at least clear that the success of the State as a rural mortgagee has been partly due to the fact that it has taken the cream of the mortgage market and left the skimmed milk to private enterprise. The policy of charging less than the market rate of interest has moreover been a factor, it is generally thought, in the inflation of land values which is now so much deplored. Finally, with the collapse of farming prices, there came a demand for the writing down of Crown mortgages.

This demand has been resisted, although in conformity with the general policy of the Government the rate of interest has been temporarily reduced, and some mortgagors—town workers to a greater extent than settlers—have been unable to meet their commitments. The result however, has been to give an impetus to a more independent system of finance ; and the proposed National Mortgage Corporation will take over the investments of the State Advances Office, the Rural Intermediate Credit Board, and the Lands Department. These investments amount in all to about a third of the total mortgage indebtedness of New Zealand. The Government cannot, of course, dissociate itself entirely from rural finance ; but it is justifiably anxious to make it less of a political question. There is certainly an element of danger in the relation between the State as creditor and the farmer (or worker) as debtor.

This assistance given by the State in the establishment and financing of the farmer has been supplemented by other measures. Some of these are also of a financial character. Lime is carried free, and fertilizer is given a 60 per cent. rebate on the railways ; since 1931 superphosphate manufacturers have been subsidized to enable them to reduce prices. The most remarkable, however, and the most defensible, are the activities of the Department of Agriculture. Its inspection of livestock, produce, and farm premises, and its grading work are important ; but inspection and grading are only one side of its work of practical education. It gives free advice to farmers and maintains a large corps of instructors in various aspects of agricultural science and practice ; it controls various experimental and demonstration farms, with a farm training college in connection with one of them ; it also carries on laboratory research ; and it is developing an efficient farm economics division. It is generally admitted that the Department has done excellent service in improving the productive efficiency of the New

Zealand farmer. This has been particularly evident in dairy farming, where the spread of co-operation and of modern grass-farming technique have been very largely due to the efforts of the Department ; and it may be one reason why the dairy farmers have been less shy of State intervention than the sheep farmers.

One side of the State's work in opening up the country has been in the hands of the Departments of Land and Agriculture and the various State lending institutions : equally important has been the operation, since 1870, of the Department of Public Works. At first the works were let out to contractors ; then Seddon initiated the " co-operative contract " system ; in more recent years the Department has employed its own labour. It is generally agreed that the engineering and other technical problems connected with public works in New Zealand have been very competently dealt with ; but on the financial side there is more room for criticism, and the abandonment of contracting has made financing more difficult. The National Expenditure Commission gave instances of irrigation schemes, drainage works and railway works carried on by the Department which were estimated to cost three millions but, when completed, cost nearly seven. It has been all too easy to obtain additional loan funds. Not only has the undertaking of works been too much dictated by political considerations ; but the policy of direct labour has made the Public Works Department, until very recent years, the agency for relieving temporary unemployment. It has been all too easy, again, to start works more with a view to the immediate employment of labour than with a view to the ultimate cost. There was a great deal to be said for relief of this kind ; but the knowledge that public works were being so used should have been an additional reason for a cautious financial policy in normal times. Now the State is faced with the necessity of " tapering off " public

works, partly because of the completion of programmes but partly because it needs must borrow less ; and it has developed "an army of workmen who know no other employer than the State." Clearly the Public Works Department must draw in its horns. It still employs, and may continue to employ, more than 8,000 men ; but it has passed the peak of its activity and of its importance in the economic life of the country.

Though public works construction has in itself been an important Government activity, it has been still more important as a means to other ends. The postal, telegraph and telephone system, the railway system, the road system, and the electric power system of the Dominion are all in large measure the result of the activities of the Public Works Department, and are all publicly owned. Their problems as Government undertakings are however different and have been met on different lines.

The post office, telegraphs and telephones of New Zealand have all along been operated as a Government department. The department has been managed on progressive lines ; its business methods have been elastic and it has been willing to experiment. Its financial results were until 1928-29 somewhat misleading, for interest on its capital liability and allowance for depreciation were not included in its expenditure ; but it has continued to show good profits and there has been no agitation against it by the business community. In country districts it may be called the general agency of Government and has been given important functions, for instance, in connection with unemployment. On the other hand broadcasting, as in Great Britain, is not operated by the Department but is for the most part controlled by a Broadcasting Board of three members appointed by the Government : there are also a number of privately owned broadcasting stations. In this sphere, therefore, the argument for a measure of independence from departmental control has been admitted.



The problem of railway management has been far more difficult. As has been indicated earlier in this book, the original policy was to run the railways as a Government Department. The system of Commission management instituted in 1889 only lasted five years ; and the Commissioners were then replaced by a General Manager responsible to the Minister of Railways. There were grave defects in this system. Not only was the decision to construct new lines, naturally enough, in the hands of Parliament ; but the Railways Department was not as a rule even asked for an opinion as to whether they should be constructed or whether, if constructed, they could be economically and profitably worked. The broad policy was to run the railways for " service " rather than for profit ; to use them to promote settlement, and to fix fares and freight rates so as to assist the farmers and the country towns. Unquestionably there was genuine foresight in this policy, and the " service " was often equivalent to deferred profit ; but the real justification for the policy, and its limits, were little understood. Politics played far too important a part in decisions. Every district wanted its " fair share " of railway expenditure : else why talk of the railways as being a " public service " ? After the war this irresponsibility became increasingly dangerous, not because the districts and their representatives were more irresponsible, but because construction costs were higher, borrowings more expensive, and prospects of development of new areas more limited. In 1930 it was stated in a parliamentary return that the average cost per mile of lines then under construction was £39,840, the corresponding interest charge being £1,992, whereas the average cost of the lines already open for traffic was £14,109, the interest charges being £610 ; and the new lines were not expected to carry so much traffic.

In the matter of staff there were further difficulties. Since 1895 the organization had been on the usual

departmental lines, but it had only the disadvantages of this system. Dr. Condliffe tells the story that an official set of test questions for schools in 1906 required children, as an exercise, to "write a letter to the Member of Parliament for your district, applying for a position on the railways." The method of recruitment was, in fact, largely political. The Minister of Railways took—perhaps was obliged to take—a detailed interest in staff questions. The powers of the General Manager extended only to the engagement of casual hands. The Government's labour policy also affected the railways. The use of the Public Works Department to smooth out fluctuations in employment affected the rate of construction. The usual policy was to carry out works in small sections from year to year, thus prolonging the time required for the railway to become remunerative. Moreover there was reluctance to instal labour-saving devices and to discharge labour in times of difficulty. Even when the railways were becoming a depressed industry, they had to behave, being a Government department, as though they were still a prosperous industry.

Financial methods were also defective. To fit in with Budget arrangements not only was each year's working considered separately, but the estimates were as a rule passed within three or four months of the end of the financial year to which they referred. Renewals were charged against working expenses as they were required. "British budgeting methods," as a Commission remarked in 1924, "were not at their inception formed for the purpose of administering a large industrial undertaking such as a system of railways, and they do not, and cannot, conform to the requirements of a revenue-producing establishment which needs not a yearly vote, but financial provision arranged from time to time as necessity arises, capable of dealing with a policy and programme over a period of years, and at the same time sufficiently flexible to meet any

emergency that may arise." It was long taken for granted, nevertheless, that this over-capitalized undertaking, run not on capitalistic but partly on political and partly on departmental principles, could earn a standard profit, at first fixed at 3 and later at  $3\frac{3}{4}$  per cent. So necessary were the railways when coastwise shipping was the only competitive service that until 1920 they earned their profit and could plausibly be regarded as a successful business.<sup>1</sup> After the war not only did the "policy rate of interest" cease to correspond with the actual cost of borrowing, but the railways ceased to be able to earn it. With the great increase of motor traffic their virtual monopoly had come to an end.

It was plain that New Zealand railway policy required revision, but it was not at first plain how radical was the revision required. In 1924 a Commission of overseas railway experts reported on the system. Their report drew attention to the increasing costs of construction, but it was mainly devoted to criticism of the financial system, the methods of operation, and the organization of the workshops: it was critical, but optimistic. The main proposals were adopted by the Government, and in particular the railway finances were made separate, though the department was still called upon to pay the average rate of interest on its capital and now to make regular provision also for depreciation. After 1925 the railways, by general admission, became more business-like; but they remained unprofitable. In 1930 a new Royal Commission was appointed, this time of New Zealand business men. It recommended the writing down of the capital value of the railways; the revision of staff policy, better co-ordination of road and rail transport; and above all, administration by a Board of Directors with full powers to control the staff, to conduct operations on business

<sup>1</sup> The cost of unopened lines and of the early deficits was not however reckoned in capital costs: on this see Le Rossignol and Stewart, *State Socialism in New Zealand* (1911).

lines, and to take responsibility for the results. If new lines were to be constructed for the purpose of developing specific areas or assisting specific industries, records of their results should be kept separately, and the Consolidated Fund should bear any loss. The Government accepted the report, and in June 1931 the new Railways Board assumed control.

The chairman of the Board, appointed for four years, was General Manager at the time of the transfer of control ; the other members, who are to hold office for two years but to be eligible for reappointment, are experienced representatives of the business and farming community, appointed by the Government. Its chief executive officer is a General Manager, whom the Governor-General appoints on its recommendation. There is still a Minister of Railways, who lays the Board's estimates before Parliament and answers questions on its behalf ; but he no longer has to assent to every detail of policy. In broad terms the duty of the Board is to manage the railways as it would a business, and to get the best financial results it can. One of its first measures of policy was to investigate fully the position of lines under construction and of the branch lines which so often showed a loss. It came to the conclusion that neither of the largest construction undertakings, the South Island Main Trunk connection with Blenheim and Picton and the Napier connection with Gisborne, had any prospect of paying its operating expenses, let alone its interest : even allowing for the money already sunk, completion would merely saddle the country with a new liability. They were stopped. Many branch line services have been cut down to a minimum, passenger traffic being left to the road services. With the aid of legislation to be discussed below, the Board has attempted to reach an arrangement permitting it to keep its suburban passenger traffic, upon which motor buses had made great inroads : in the Wellington and Dunedin areas the Board itself now operates suburban road services.

It is perhaps in staff questions that the influence of the old state of things is most strongly felt. The wages of the permanent staff are still regulated by the Railway Classification Act, positions being graded and rates of pay assigned. The Board can alter the grading of a position, but it cannot reduce wages. The provision for appeals to a special board against dismissal or non-promotion introduces another element of rigidity. The Board has been obliged to reduce its staff, though the non-established and casual employees have been the chief sufferers. There were in 1933 about 15,000 employees<sup>1</sup>: in 1930 there were over 19,000. Naturally the reductions have caused some hardship and protest. On the whole, however, the new system of management appears to command the confidence of the country. In 1930-31, the last year of the old system, the net revenue after allowing for depreciation was £688,000: in 1932-33, a year of deeper depression in the country generally, it had increased to £850,000. In 1933-34 it was £1,085,000. This is still only 2·05 per cent. of the capital cost, in spite of the fact that in 1931-32 £10,400,000 was written off by the Government as a dead loss.<sup>2</sup> It is important, however, that the drift has been stopped. The railway service, moreover, is certainly a better service than it was before the reforms began in 1925. The question of control cannot yet be regarded as a closed question, but the onus is on the opponents of the Railways Board to show that if it was superseded the old financial drift, due to the old political influences, would not begin again.

The railway problem is, of course, itself only a part of the wider question of transport in New Zealand. During the past few years road transport has developed to a remarkable extent and the problems arising out of it have forced themselves upon the attention

<sup>1</sup> Of these 11,819 were permanent and 3,152 casual employees: in 1930 the number of casual employees was 5,500.

<sup>2</sup> The reason for writing off this amount was to relieve current earnings of charges for depreciation that had accrued in past years.

of the public and the political leaders. The roads of New Zealand are controlled for the most part by the authorities which constructed them, namely the Public Works Department and the local bodies, in co-operation. So far, however, as "main highways" are concerned the control lies in the hands of nominated *ad hoc* bodies, the Main Highways Board and District Highway Councils on which the Public Works Department and the county councils are represented. There are 10,975 miles of main highways (March 31st, 1934) as against some 51,000 miles of formed roads. The Main Highways Board was called into existence to meet the clamour of road-users for improved roads. Financed at first from the Public Works Fund, later by borrowing on its own account, supplemented for maintenance purposes by a petrol tax and other motor taxation, the Board, in co-operation with the local authorities, pursued an active road improvement policy. Road-users benefited, but the benefit to the general community is more doubtful. In addition to over-capitalized railways, the country acquired, in the opinion of some good judges at any rate, an over-capitalized road system. An investment of £62,600,000—a 1930 estimate—in roads and £53,700,000 in motor vehicles and equipment, in addition to £59,200,000 in railways is certainly large for a population of about a million and a half.<sup>1</sup> In recent years unemployment has provided a further argument for road improvement and this has added to the capitalization and cost of maintenance. On the other hand the expansion of capital investment in roads has itself been less remarkable than the expansion of investment in motor vehicles. During the five years ending in 1930 the volume of motor transport doubled and the imports of motor vehicles and parts amounted to over £22,000,000 in value. The number

<sup>1</sup> In addition £17,400,000 was estimated to be invested in harbours and £20,000,000 in coastal shipping. A 1929 estimate of the "national wealth" was £920,000,000.

of motor vehicles is difficult to estimate exactly, because allowance must be made for "dormant licences" and registrations fluctuate during the year, but the Transport Department's figure of "live" registrations in 1933-34 is about 180,000. It is said that only the United States and Canada exceed New Zealand in the number per head of population. It is not surprising that the consequent growth of motor traffic has created serious problems for the Government, with its heavy investment in the railways.

The competition of rail and road is a problem common to many countries but it does not always take the same form. In New Zealand the effect was most severely felt in rail passenger traffic. The number of ordinary passenger journeys, which was over 15,000,000 in 1921, fell to nearly 12,000,000 in 1926, to rather over 7,000,000 in 1931. The most formidable competitor was the private car, although commercial bus services were also important. Goods traffic was also affected: it expanded until 1930-31, but not in proportion to the expansion of national production. Short-haul traffic and high-rated traffic felt the motor competition most severely: nature has made New Zealand a country of relatively short hauls, and man has made it a country of relatively high rates, though indeed the policy of differential rates as between various classes of goods has been pursued in other countries. There seems to be good reason for thinking that the undercutting of the railways was often itself uneconomic. Some large overseas concern would encourage a man to put a fleet of buses on the road, the buses to be bought upon the instalment system: he would attract traffic by undercutting of other services, but competition would soon bring his fares below payable levels, his business into bankruptcy, and his buses back into the hands of the instalment sellers, who would set about finding another user for them. Both in the interests of the railways and in the interests of the passenger

motor services the Government felt obliged to intervene, and in 1931 a Transport Licensing Act was passed. All such passenger services now require a licence from one of the four metropolitan or ten country district licensing authorities or, in the case of the numerous services operating in more than one transport district, from a central licensing authority. The licensing authority must take into account not only the transport services and requirements of the district, but also the financial position of the applicant and the representations of the Railways Department, other transport owners, and the local authorities. It must prescribe the type and the number of vehicles, the routes, the timetables, and the fares. Above the licensing authorities is a Transport Appeal Board. The control of goods services has not yet been carried so far. It extends only to carriage for more than five miles, and the principal town areas are exempt; certain services, notably the carriage of milk and cream from farms to dairy factories (which, as earlier explained, is frequently done by motor waggons) are also exempt; and the power to fix charges, though it is held in reserve, has only been exercised to a very limited extent.

It is too early as yet to judge of the effects of this measure of regulation. Naturally the interests of operators of services at the time of the passage of the Act were specially safeguarded, though they could be required to submit to new conditions. It may fairly be said, however, that in any lowering of transport costs, which is after all the object of the extension of commercial transport services from the point of view of the consumer, the railways will call the tune. The responsibility for deciding whether any such extension is "in the public interest" rests with the transport licensing authorities: but one of the competing services is publicly owned, and it can hardly be in the public interest, therefore, that its capital should depreciate and its services be run at a loss. The fact that the railways are a public concern,



and an over-capitalized public concern, has made a regulation of road competition inevitable. The function of road services, as was remarked by the Transport Appeal Board in a recent decision, is to serve areas not served by the Government railways, to feed the Government railways, to supplement the Government railways. A price has now to be paid for irresponsible extensions of the railways in the past: the price is limitation of the scope of what might have been in some areas a cheaper and more efficient form of transport. There seems no immediate likelihood that the Government will extend its control further and unify the transport services: New Zealand seems disposed to remain in the half-way house of regulation.

Electricity, with its mass production economies and its heavy capital costs, lends itself readily to large-scale operation as a public utility. With the precedent of the railways in mind it was natural that the public should demand Government development of the water-power resources of the Dominion; and the main generating stations have been well planned and in 1933-34 showed a net profit of £32,000 on a total revenue of £901,000. Four-fifths of the power is produced by these stations, constructed and controlled by the Department of Public Works: the retail distribution of current is mostly carried on by specially constituted local authorities, some of which have smaller generating stations of their own. There was undoubtedly at one stage excessive optimism in some of these districts as to the possibilities of supplying cheap power: but in 1933-34, the forty-one Electric Power Boards actively functioning showed a profit of £87,500 on a total revenue of £2,154,000, though some individual boards lost on their undertakings and had to levy additional rates. More than half this expenditure consisted of capital charges on the outlay, inevitably heavy in undertakings of this kind, of some £14,200,000. The price of power varies with the amount of current sold and

capital expenditure incurred. The Government has had to face an agitation by some rural authorities for the reduction of its charges for bulk supply : and it has not yet been able to build up reserve funds to the amount required by the State Supply of Electricity Act. But on the whole it seems that the Public Works Department has been reasonably successful in keeping expenditure within sound limits; that the system of management has been a successful compromise between centralization and uncontrolled localism ; and that it has been shown that a State enterprise, conducted by experts and kept out of politics, may be an economic success.

The State has also entered into business in fields which have nothing directly to do with the opening up of the country. The most remarkable of these enterprises is the Public Trust Office. In the early days of New Zealand, with a shifting population engrossed in the hard practical work of pioneering, it was no easy matter for men wishing to settle property or make other provision for their children or dependents to find friends both willing and qualified to assume the duties of trustees. The Public Trust Office was accordingly established in 1872 ; and the business of the office has expanded to such an extent that the estates under administration now amount to nearly £60,000,000, having more than trebled since 1918. The office forms a convenient recourse for any person, whether resident in New Zealand or not, who desires to draw a will, form a trust, or appoint an executor, trustee, agent, or attorney. Many private executors and trustees have transferred their duties to it. The Public Trustee is entitled to claim that he is always available to answer for any acts or defaults of himself or his employees ; and behind him there stands the guarantee of the State itself. The office has in recent years developed a decentralized organization : it has more than a hundred branches and agencies ; and much of the work is handled by District Public Trustees in

the larger centres. The services of an expert Financial Adviser are retained for dealing with stocks and shares, and Property and Farm Inspectors supervise the assets of the office, which, as already mentioned, has large sums invested in mortgages. The most remarkable feature of the administration is, however, the Common Fund system inaugurated in 1891. This fund absorbs all cash balances of estates except where this is expressly forbidden by the terms of the trust: the moneys are invested in first class securities of a specified nature, and the rate of dividend is fixed from time to time by the Governor-General in Council<sup>1</sup>, the risk being thus spread over the whole body of investments and the returns averaged out. The Public Trust Office, in spite of its conservative lending policy, has naturally suffered from the decline in value of its mortgage investments in recent years and complains that stock mortgagees have enjoyed an unfair advantage. So far as the growth of the business of the Office is concerned, the boot is on the other leg. The legal profession complains of the fact that the Public Trustee, to secure greater freedom of management, has obtained special legislation enabling him to do things which would be breaches of trust law if done by private individuals. The Public Trustee though he now pays both income tax and land tax, for long paid neither, and only began to pay graduated land tax in 1929-30, two years before its abolition. Moreover the fixing of a policy rate of interest on investments makes it almost impossible to discern the real efficiency of the office as a competitor with private business. Some functions performed by the Public Trustee, such as the administration of the affairs of patients in mental hospitals, may however very properly be made non-competitive, and the competition itself has probably stimulated the legal profession to strengthen its own right to confidence by the establishment of a

<sup>1</sup> It is at present  $3\frac{1}{2}$  per cent.

Solicitors' Fidelity Guarantee Fund, managed by the Law Society and contributed to by all solicitors, to reimburse the clients of defaulting solicitors. The Public Trust Office is very unlikely to lose the place it has won among the leading institutions of New Zealand.

The origin of the Government Life Insurance Office was somewhat similar. It was founded in 1869 "at a time when New Zealanders had comparatively poor facilities for the insurance of their lives." The field of business that it entered was very profitable: not only was the death-rate exceptionally low but, as is pointed out by Dr. Condliffe, its tables were calculated upon the low rate of interest prevailing in Great Britain and its investments were made at the higher rate of interest prevailing in New Zealand. It operated like a commercial concern, even to the extent of paying some of its agents on commission. Increasingly, however, private concerns—some of them overseas, two of them purely New Zealand concerns—entered the field and as compared with them the Government Life Office has been losing ground. This tendency was in fact noted by Le Rossignol and Downie Stewart in their work on *State Socialism in New Zealand*, published in 1911. In 1930, before the force of the depression was felt, the amount of new business was £1,946,000, the highest recorded, but the total for all life offices was £11,975,000. The proportion has since declined further. The average rate assured per policy is also rather lower than in the other offices. The explanation appears to be that the larger clients, attaching more weight to bonus dividends, find that the amount of these in the commercial offices more than compensates for the lower premiums and the State guarantee of the Government Office.

The venture of the State into the field of fire insurance came in Seddon's time and was inspired by rather different motives. Fire risks were high in New Zealand, where considerations of cheapness and

in some localities of earthquake risk had caused not only houses but factories and commercial buildings to be built mainly of wood. There was a general belief, however, that fire premiums were kept unduly high by an "insurance ring." In 1903, emboldened by the success of the Government Life Office, which had not yet begun to disappoint its supporters, Seddon passed an Act establishing a State Fire Insurance Department. The immediate effect of the new enterprise, which was bitterly opposed by the commercial companies, was a considerable reduction of premiums, so much so that the business was for some years unremunerative. Gradually however the position changed for the better, and though the State Fire Office does only about one-tenth of the total business, it is a profitable concern. Its accumulated funds amount to nearly £1,000,000. It has also an Accident Branch, which specializes in employers' liability insurance, but is of rather less importance.

Another experiment associated with the name of Seddon is the operation of coal-mines by the State. Two such collieries are now in operation. The experiment however has lost the importance it possessed under the vigorous administration of Seddon. The collieries produced nearly a quarter of a million tons, thirteen per cent. of the coal output of New Zealand, in 1909 : in 1933-34 the production was 121,000 tons, less than 7 per cent. of the coal output of the country. One turning-point in their history was no doubt the fall of the Liberal Government, but another was the discovery that they were not immune from the labour troubles which were so frequent in the mines just before the war. They at present show a profit, but it has often been alleged that the sale of so much of their coal to the Government railways and other departments veils the real financial results ; and there is the further fact that they are exempt from the royalty levied on private companies.

The insurance offices and the State coal-mines have long ceased to be, if they ever were, significant as experiments in State Socialism: what still gives them a certain importance is that they typify the New Zealander's fear of exploitation by monopolies and rings, and his feeling that State trading departments are a certain safeguard against such exploitation. Nevertheless they may be said on the whole to represent an old approach to the problem. Since the end of the Liberal régime the State has sought to attain such ends by regulation rather than by competition. The most far-reaching attempts at regulation were, as might be expected, made during the war and immediately afterwards. A Board of Trade was created in 1915 and given power to fix prices and to administer an Act previously passed against "commercial trusts." Prices were fixed for several articles and the export of some was regulated or prohibited to prevent the New Zealand market's being denuded of supplies; and there is a consensus of opinion that the public interest was on the whole promoted by these measures. On the other hand the fullest investigation made of these activities reaches the conclusion that the actual price fixed depended on the influence the producer had with the Government. It at first appeared as if the Board of Trade would be continued as a sort of "permanent Royal Commission" on business organization. This possibility disappeared in the post-war slump, when the various controls were abandoned one after another and the Board of Trade was transformed into a Department of Industry and Commerce with much more limited functions, those of a bureau of information much more than of an instrument of control. The Acts, it is true, remain on the statute-book and were used in 1932 to prevent the larger cinema theatre interests from driving the smaller and independent exhibitors out of business; but on the whole there appears to be less disposition than formerly to interfere in business organization. The

regulation of road transport appears to be a special case indicative of willingness to see the State intervene when special conditions seem to demand intervention. Needless to say, many Government departments—those of Labour, Marine, Mines, Agriculture and Health—have important functions of regulation, to secure the observance of minimum standards and the prevention of admitted abuses ; but these are common form in modern States. In the field of industrial relations the regulation of wages and working conditions through the Court of Arbitration has now, as mentioned in an earlier chapter, been put on a voluntary basis ; and the functions of the State are limited to providing machinery for the promotion of industrial peace and of course, in the last resort, securing public order.

The most significant of recent developments in the State regulation of economic life has been in the field of farming. The Export Control Boards created in and after 1922 are not merely co-operative producers' organizations, but producers' organizations backed by the Government and exercising their functions under statutory authority. The tendency to treat the Boards as representatives of their respective industries in other matters besides their statutory functions has culminated in the Agriculture (Emergency Powers) Act recently passed. This Act gives to the Dairy Board, which will be composed of three nominees of Government and four representatives of the Dairy Companies, and potentially to the Executive Commission of Agriculture, a wide control not only of marketing but of the operations of the factories and of the individual farmer. Regulation with a view to the levelling up of standards is not, of course, new : the question is whether the Board will pass the border line dividing regulation, with the emphasis still on individual responsibility, from regimentation. This no doubt largely depends upon whether quotas are applied to New Zealand exports. The farmers, who in spite of their co-operative

organizations, retain a strong element of individualism, may well be restive under control. But in the present emergency the Board can count on general good will in attempting to reconcile the claims of productive efficiency and individual responsibility. The legislation does however confirm other evidence that the trend in New Zealand though not away from State intervention is now definitely away from State Socialism as the theorists and publicists at the end of last century understood it.

What remains as firmly embedded as ever in the policy of the country is the extension of the social services—to use a convenient, if vague, modern phrase—which was so characteristic of the later years of the Seddon régime. This policy soon ceased to be an issue dividing parties and though it is not immune from criticism in detail it has a strong hold upon the people generally. One bias it has retained from the beginning, in favour of gratuitous as opposed to contributory services. The desire to promote “social welfare” has been an important element in some of the business operations of the State, such for example as those of the Public Trustee. It has been important in the field of housing, where however the mode of procedure has not been so much State construction as “advances to workers” of 95 per cent. of the value of the house, with a maximum of £1,250 : since the inception of this scheme in 1906 more than 39,000 loans, amounting to more than £21,500,000, have been made, and £6,900,000 of the total amount lent has been repaid.<sup>1</sup> The characteristic social services of New Zealand are however in the fields of education, which must be reserved for later discussion, child welfare, health, and pensions.

Seddon's most strenuous political battle was fought for an old age pensions bill of £150,000 : New Zealand to-day cheerfully pays an annual bill of £3,000,000. War pensions, of which there are about 21,000

<sup>1</sup> These loans have become a mere trickle since 1931, and arrears are increasing. It seems probable that the new Mortgage Corporation will divide the responsibility in future with the building societies.



recipients, amount to £1,200,000. The conditions of old age pensions have been relaxed and the payments increased : they are now payable in general to men at sixty-five and to women at sixty, and the maximum pension is £40. 19s. In 1933-34 there were 37,500 pensioners, and the amount paid was £1,403,000. The pensioner's home and any life insurance policy or annuity he or she may possess are not taken into account in determining the rate of payment. There are in addition 4,619 pensions to widows with dependent children and amounting to some £302,000 ; and a much smaller number of miners' (phthisis) pensions, pensions for the blind, and other classes of payments. The " family allowance " scheme inaugurated, with a rather unnecessary flourish of trumpets, in 1926 is really an extension of the pension principle. Under it 12,145 families received in 1933-34 2s. a week for each child in excess of two : the average weekly income of the parents must not exceed £3.5s. These payments, which totalled £146,766, have undoubtedly been a help in the present time of trouble to many poor families.

Public institutions play a large part in New Zealand in the care of the sick. There are, first, the hospitals controlled by district Hospital Boards, indirectly elected by contributory authorities in the country districts, directly elected in the chief towns. There are private hospitals and nursing homes also ; they provide about one-fourth as many beds as the public hospitals, and are subject to strict regulation and inspection by the Department of Health. The Hospital Boards number forty-five : they control not only hospitals and maternity homes and various subsidiary institutions, but also the distribution of charitable aid. They make charges to patients able to pay, but these only provide about a quarter of the revenue, which comes for the most part from levies on local authorities and subsidies, roughly on a pound for pound basis, from the Government. There has been a distinct tendency in recent years, both in

and outside the medical profession, to say that hospital districts are too numerous and that better organization of the hospital system, probably with a Board of Hospitals in supervisory control, is necessary. It is one of the many spheres in which local feeling has worked against true efficiency. In the more important centres, with the aid of honorary surgeons and physicians for specialist work, the most modern scientific methods are available to the patient ; but elsewhere too much is expected of the medical superintendent. The mental hospitals of the Dominion, with one minor exception, are controlled by the State. In the opinion of the National Expenditure Commission, which certainly had no bias in favour of new expenditure, there was urgent need for further capital expenditure upon them. The State has also seven maternity hospitals for working women, not controlled by the Hospital Boards. The chief voluntary effort in the case of the sick and indigent has been devoted to the provision of benevolent and orphan institutions and no doubt to the ordinary social work of the Churches which leaves no trace in public records ; but the whole of this field has been influenced, in Dr. Condliffe's words, by " the trend towards nationalization which arose in New Zealand earlier than in most countries because of the lack of private organization in a new community."

The social services in which New Zealand takes, perhaps, particular pride are those connected with the welfare of children. A School Medical Service was established in 1912. Its aim is to secure for each child three complete physical examinations during his or her school life. The School Medical Officers do not provide medical attention : the practice is to notify the parents of the treatment required. If, however, for any reason the parents take no action it is the duty of the School Nurse to see that treatment is given at the nearest public hospital. It has been found that New Zealand has a remarkably

small percentage of children with physical defects, and even with the increase of unemployment and distress the health of the children is reported by the Director-General of Health to have been well maintained; but steps have been taken, notably through annual health camps, to improve the health of delicate and undernourished children. In 1921 the School Medical Service was supplemented by a School Dental Service, which does not yet cover the whole of the school children of the Dominion but has 213 dental clinics at which 72,600 children—about 36 per cent. of those eligible—are under systematic treatment from the time they enter school until they pass the fourth standard. The “child welfare” work inaugurated by an Act of 1925 and controlled by a special branch of the Education Department has already become an important State activity. Offenders under the age of seventeen are dealt with by special Children’s Courts in which the magistrates, who may be assisted by honorary associates, sit privately and have very wide discretionary powers. The Child Welfare Officers not merely investigate all cases coming before the Courts: they seek to render assistance, if required, to mothers of illegitimate children: and they are in charge of children who are deaf, blind, feeble-minded, or defective in speech, or who are indigent or neglected or in any way specially under the protection of the State. In 1933–34 there were 7,259 children under the care of the Child Welfare Branch. Yet it is interesting to find that the most remarkable of all the child welfare activities of New Zealand is not conducted by the State, though the State supports it to the extent of about a third of its expenditure, but by a voluntary society of women, the Royal New Zealand Society for the Health of Women and Children. The work of this society, associated with the name of Sir Truby King, is generally given the credit for the remarkable fall in the New Zealand infant mortality rate from 67·89 per thousand live births in 1908 to

31.64 in 1933. About two-thirds of the babies born in New Zealand come directly under the care of the Society's nurses, whose services are given free, though a charge is levied (if it can be paid) for treatment in the six hospitals that it maintains. The work of this society, with its seventy branches, suggests that voluntary effort is still a living force in the field of social service in spite of a generation of State action. It also suggests that one of the main forces propelling the State along the path of social legislation generally and child welfare legislation in particular has been women's voting power.

In all modern States the trend of social legislation has been towards an extension of State action ; and little heed is paid to those who maintain that such legislation is diminishing individual self-reliance. In New Zealand such criticism is less vocal than in Great Britain, and indeed if some State activities might be thought to encroach upon the proper sphere of individual effort, others such as the advances to workers, the National Provident Fund, and the Public Trust Office probably encourage individual effort on the part of a class to whom independence might otherwise seem unattainable. The social services have largely been created for those whom humanitarian sentiment does not wish to see relying solely upon themselves and upon individual benevolence—namely elderly people and, more particularly, young children. If the cost of the social services rose from £2,100,000 in 1913-14 to £6,400,000 in 1930-31, the fact is on the whole very creditable to New Zealand democracy. The only criticism that might be made is that such a development of the social services ought for safety's sake to be accompanied by watchfulness against improvidence, whether in the services themselves or in other directions.

The business activities of the State stand on a different footing from its welfare activities. In their origin they were most of them inevitable develop-

ments of the circumstances of New Zealand's colonization ; and whatever may be said of certain periods in its history there can be little doubt that one of the reasons for its rapid development as compared with other colonies in the past has been the use of the power of the State, the organized community, for the benefit of its members. The organization of private business grew more slowly and, in certain directions, notably in taxation policy, it cannot be said that the State has altogether helped it to grow. There has, however, been a perceptible change of direction in the State's business activities in recent years. Many—not all—of these activities are found on examination to be schemes for the distribution of public money. Prosperous States can afford to engage in such activities and are tempted to take no thought of the morrow : when the morrow has come and the funds of the State are found to be deeply engaged in activities of this kind or in paying for past activities, the disadvantages of these policies become apparent. There has been a marked tendency in recent years to take State activities as far as possible "out of politics," to realize that the policies pursued are matters for decision by experts rather than by the pressure of a democratic electorate or, too often, of interested sections of that electorate.

What are the limits of this system of statutory corporations? Will there be a tendency to give statutory organization to other industries besides dairying? It is difficult to say. The average New Zealander has no conscious political philosophy. He will not be deterred from State intervention and the use of State power by individualist arguments : although he likes to be left alone, he has not much belief in liberty as a principle. He will be guided mainly by practical considerations. In the past these have often told in favour of State management : at the moment they seem to favour the statutory corporation : in the future it may be found, as some Australian States appear to be finding, that this form

of organization has its drawbacks too. Nor is it simply a question of managing existing industries or State activities. There is the further question of opening up new lines of economic activity. The State may perhaps help in organizing the investment market ; but much must depend upon the individual entrepreneur. For the State may well be anxious to limit its risks. A choice will no doubt be offered ; the Labour Party will urge the view, which may not unfairly be called the traditionalist view, for they themselves appeal to Ballance and Seddon, that the State needs to extend its activities further and that finance should not take precedence of service. They regard even the public corporation as a step backward ; but others may argue that it is necessary for the State to step backward if it has gone too far—that it may concentrate upon doing what it can do best.

## CHAPTER XIII

### RELIGION : EDUCATION : CULTURAL LIFE

A NATIONAL culture may seem an essential element in nationality, but in modern times it undoubtedly is slower in maturing than the consciousness of nationality. New Zealand is still a young nation ; and a nation, however much it may be indebted to the heritage of other nations and of the whole world's past, must build whatever is distinctive in its culture upon the foundations laid in its own land. A population of pioneers, absorbed in urgent practical tasks and shifting rapidly from place to place, has little time left for reflection or reading or leisure activities ; and, though cultural ties with Great Britain remained potent, the level of culture in New Zealand tended to decline from the high standard set by some of the first settlers. Immigration, however, prevented isolation from having its full effect ; and now, although immigration has become a factor of minor importance, it may be said with confidence that the cultural decline has ceased and an upward movement is in progress. Its path is beset by many difficulties. Democracy has indeed confused the cultural values of the Old World, and science is yet another disturbing factor : it is not to be expected that New Zealand, where democracy is strong and cultural traditions are relatively weak, should be quite free from confusion of aim. In these circumstances it is fortunate that New Zealand shows no anxiety to cast loose from the religious and intellectual heritage of Great Britain : already modified by the difference of conditions and perhaps sometimes misunderstood, it still possesses a strong hold upon the minds and characters of the people.

As even the younger generation realize, it will be some time yet before New Zealand can do without British cultural leadership. Culturally speaking, New Zealand is still very much in the formative stage: there is no need to be discouraged if the emphasis seems at times misplaced and the achievement small.

Religious influence in New Zealand was from the first strong, particularly in the Church of England settlement of Canterbury and the Scottish Free Kirk settlement of Otago. It has remained one of the more important connections with the Mother Country, for although with the exception of the Church of Rome, the Salvation Army, and possibly some of the smaller bodies, the religious organizations are autonomous, they make a real effort to keep in touch with their Mother Churches. Yet the Churches hardly play the same part in the general life of the community that they play in Great Britain. There never has, of course, been any question of a Church establishment. On the other hand the result of religious equality and diversity has been to split up the rural community, particularly, into a number of small groups, animated as a rule by friendly feelings towards one another but prevented by their smallness from developing social life within the group; stipends have been small and districts large; and except for Sunday school work, the Churches have had to leave the field of education almost wholly to the State. Thus the clergy and ministers are deeply immersed in parochial duties, often in districts of unmanageable size: and few even of the holders of the more responsible posts have sufficient ability and general standing to give a lead upon broad questions of interest to the whole nation. The tone of society, at any rate in the South Island, is in a sense less secular than in Great Britain; the influence of the Churches upon individuals is probably as great; but their influence, or at any rate their direct influence, upon the affairs of the nation is less.

There is no such contrast with Great Britain in the



religious professions of the population as there is in Canada or South Africa. The Church of England is the strongest numerically and about 40 per cent. of the population adhere to it ; but marriage figures confirm the impression that the correspondence between nominal and effective membership is not so close as in some other Churches. Scottish and Irish immigration have made the proportion of Presbyterians, which is about one-quarter, and of Roman Catholics, which is about one-eighth, higher than in the British Isles. The Methodists form about one-tenth of the population : like the Roman Catholics, they tend to be stronger in the towns than in the rural districts. The people are less attached to their traditional Churches than in Great Britain, and there is cordial co-operation between the various " free Churches " especially ; but tradition still tells strongly against schemes of Church union.

The Church of England, although it contains some able and many devoted men in the ranks of its clergy, has not perhaps been as successful as might be wished in adapting itself to New Zealand conditions. It is after all a peculiarly English institution, curiously intertwined with the stately cathedrals, the quiet college cloisters, and the lovely village churches of the land in which it grew. The Church in New Zealand has in the past drawn many of its clergy from England, but there are not now the men to spare. Stipends are often pitifully low : training has been unwisely diffused among three theological colleges with the result that none can afford a really capable specialist staff : and for these and other reasons the Church has little attraction for men of ability, a fact which in its turn reacts upon congregations. It has to some extent, though not altogether, been spared the acute divisions of thought and practice with which the Mother Church has been vexed ; but this may be partly because it has not the same vitality.

The Presbyterian Church seems to be on a better

financial basis. It has a minimum stipend of £280, though some "home missionaries" receive less. Its system of training is definitely superior, being concentrated in one strong institution in the congenial atmosphere of Dunedin; and it is able, as the Church of England is not, to demand a university degree of entrants to its ministry. It continues to command the services of many able young men who keep abreast of the religious thought of the day. The democratic organization and the vigorous, serious spirit of the Church are well attuned to the temper of the New Zealand community.

The Church of Rome in New Zealand is a powerful and well-organized body. One seminary is maintained for the secular priesthood, and one for the Marist Order: they are ably staffed, the system of training is characteristically thorough, and they draw a considerable number of able men from the schools carried on by the Church. The younger generation of priests are mainly New Zealand born, and, though the ablest are sent to the Propaganda College at Rome to complete their training, New Zealand-trained; but a certain number, of Irish particularly, are still brought into the Church in New Zealand from other countries.

The Methodists and some of the smaller Protestant Churches also maintain theological colleges in New Zealand, but they can hardly be said to draw so much talent, relatively, into their ministry as in England, though they contain many men of vigour and zeal and are active in social work. For many years, however, they, and the Presbyterian Church as well, have thrown much of their energy into the fight for liquor prohibition. On the side of personal conduct this was a natural outgrowth of the Puritan tradition of these Churches; but in its faith in legislative action and the rights of the State it expressed rather the political beliefs and assumptions of the New Zealand democracy. When the movement became more and more political it became more and more

difficult to see how religion gained from association with such a cause. Moreover, what had seemed a tangible and attainable object proved, as has already been mentioned, to be unattainable. The older men still hold fast to the cause of prohibition, but some of the younger men in the Presbyterian Church are beginning to realize that politically it is a dead issue and that by association with it the Churches tend to alienate men of independent mind. It would be unfair to say that these Churches have neglected the works of charity and social amelioration, but they have certainly concentrated upon prohibition energies and enthusiasms which might with more advantage have been diffused over a wider field of social reform. All the Churches have taken to heart the appearance of unemployment in New Zealand, and if, as has been suggested in an earlier chapter, this is unlikely in the near future to disappear, there will be ample scope here for the development of their social work in the community.

If New Zealand owes its religious life in large measure to the traditions its founders brought with them, its education system is more distinctively its own. The best educational work in provincial days was done by Otago, with its Scottish educational tradition, and by Nelson, which based its provincial legislation upon the unsectarian system of the British and Foreign School Society, initiated in England by Joseph Lancaster. The education system of the poorer provinces was ill developed. "Learning," wrote Mr. Justice Alpers in his *Cheerful Yesterdays*, "was sacrificed to sectarian bigotry, and every little Bethel insisted upon conducting its own school in which to promulgate its own peculiar tenets." The movement in favour of a national education system began before the abolition of the provinces; and the Education Act of 1877 endowed New Zealand with compulsory, free, and secular education. In its day and generation it was a measure of far-seeing statesmanship.

The primary education system, and through it the whole educational policy, of New Zealand still bears many traces of the influence of the Act of 1877. Provincialist feeling was still strong and much of the responsibility was left with provincial Education Boards, which were elected by the householders' committees of the separate schools but showed themselves as jealous of the school committees as they were of the Education Department at Wellington. The Department at first controlled little but the native schools, the industrial and special schools, and—an important addendum—the funds for the erection and maintenance of schools, which, with a capitation allowance for each scholar, were distributed to the several Boards. These Boards, to the number of nine, still exist, but their importance has considerably diminished. The pressure for a more distinctively national education system came partly from the department, which resented its lack of control over expenditure, and partly from the teachers, who were confined to a single education district and resented the inequalities of salary and the restricted opportunities of the smaller and poorer districts. In 1901 a national scale of staffing and salaries was instituted, and the discretionary financial powers of the boards were much reduced. In 1914 the inspection of primary schools was transferred to central control and for the first time the department had officers of its own outside Wellington. Its chief officer, hitherto Inspector-General of Schools, became Director of Education. The Act also provided for a national grading list upon which all primary teachers were to be placed in order by the inspectors in accordance with principles laid down by the department. Education Boards were afterwards required, with certain reservations, to appoint to any vacancy the candidate highest on the grading list. Thus the department's inspectors have the ultimate control of appointments: except that there is no power of compulsory transfer, the system of

appointment is more rigid than that in the public service. The inspectors and other officers of the department itself are under the Public Service Act. The whole administrative organization is tending to become a centralized bureaucracy, though the Education Boards remain as a rallying-point for local opinion and a possible starting-point for some future move towards decentralization. The four Training Colleges, managed by the Boards subject to the general regulations of the department, were closed one after another after 1932 owing to the surplus of trained teachers ; two of them are being reopened in 1935, and apparently they will still be under the Boards' control.

The general policy of the department in the field of primary education has been progressive in aim, though in the recent years of financial crisis it has been necessary to cut down expenditure and to raise the school age from five to six years. Praiseworthy and successful efforts have been made to improve the physical well-being of the children and to build healthy, well-equipped schools. The educational difficulties of the country children have been sympathetically dealt with. Many of the small "sole teacher" schools have been consolidated : the children are now collected daily and brought to some convenient centre. Finance however has been a stumbling block, and there are still several hundred sole teacher schools. For children in remote areas, beyond the reach of any school, correspondence classes are conducted by a special staff in the department. The curriculum of the schools was controlled fairly rigidly by the department until 1928. In that year a new syllabus, prepared by the inspectors in consultation with a special committee of educationists and business men, was introduced ; and its aim was to leave a considerable measure of freedom to teachers to draw up their own courses of instruction. Another recent change has been the introduction into the larger schools of a system of accrediting in

place of the customary leaving examination or "proficiency certificate." There are, it should be mentioned, a certain number of private primary schools, containing some 26,000 pupils as against 216,000 in the State schools ; they are chiefly Roman Catholic schools. They are required to register and to fulfil certain conditions as regards efficiency, buildings and equipment, and curriculum. In the main, however, the primary education of the Dominion's children from six to fourteen is a national, secular, unified system.

Unification is not so complete in the next stage of the national education system. Many of the secondary schools date from the provincial period and were founded under provincial ordinances. They were modelled not so much, as is sometimes said, upon the English "public schools" as upon the English grammar schools and the Scottish high schools : they were for the most part day schools but they charged fees, though they received very necessary aid at times from endowments and provincial funds. They were left alone by the Act of 1877, though one-fourth of the education reserves was set apart as an endowment for secondary education and the result was the foundation of several new schools. For many years, although the Inspector-General of Schools had authority to inspect most of them, they were practically free from departmental control and completely free from the control of the Education Boards. In 1903, however, a great transformation was brought about by the institution of free places in such secondary schools as were willing to accept a measure of departmental control. They had to submit to the Minister of Education a scheme of curriculum and they were all made open to inspection. Capitation grants were made to their Boards of Governors to defray the cost under the free place system. The free place system was accepted by most, though not by all, of the secondary schools and gave an immediate stimulus to

secondary education. It gave a new impetus also to the "district high schools" which had grown out of the "tops" of the primary schools in some of the smaller country towns; and a new direction to the technical schools which had been encouraged by the Manual and Technical Instruction Act of 1900. Very soon these technical schools began to establish day classes to act as a link between the primary schools and their own evening classes; and these developed into a new form of secondary education with, as a rule, shorter courses and a bias towards "modern" and commercial subjects. This was recognized in 1914 when such schools were given the name of technical high schools. The new developments in secondary education were accompanied by a gradual tightening of departmental control. In 1908, when the free place system was extended to senior pupils, the courses to be followed in the schools were much more specifically defined. In 1920 a national grading system for secondary teachers, for which the Secondary Schools Assistants Association had for some years been pressing, was instituted; and a national classification of technical school teachers and manual training instructors was also introduced. At the same time the capitation payments were replaced by a system under which the department assumed full financial responsibility for secondary and technical education, with a few exceptions, and staffing and salary scales throughout the system were regulated by the department.

These three types of secondary school—the high school or "secondary school" proper, the district high school in small country towns, and the technical high school—are still the chief instruments of secondary education in the Dominion. The number of full-time secondary pupils in the district high schools is rather more than 4,000, in the technical high schools rather more than 7,000; in the State secondary schools rather more than 13,000. There are

also about 2,000 pupils in "combined" secondary and technical schools. The district and technical high schools and the secondary schools in many of the smaller centres are co-educational, but in the larger towns there are separate secondary schools for boys and girls. All are mainly day schools, though a number of the larger boys' secondary schools have boarding establishments attached to the school. In addition to all these, there are a number of private secondary schools, which are required to be registered and inspected. They are actually more numerous than the public secondary schools, though as they have only about 4,000 pupils they are on the average much smaller. The boys' schools particularly tend to be more in the nature of boarding schools. All, of course, draw their pupils from those classes of the population that can afford to pay their fees, though many who could afford to send their children to such schools do not. The older schools are endowed: the newer were founded by the various Churches. The Church of England was first in the field but in the last twenty years the Presbyterian and Roman Catholic Churches have both been active. During this period there has not only been an increase in numbers but also undoubtedly an improvement in quality in these schools, though no doubt many of them have been hard hit by the economic depression. They form, however, only a subsidiary, if important, part of the secondary education system. They have not in New Zealand the prestige of the corresponding schools in Australia, let alone the "public schools" in Great Britain. Their relations with the public secondary schools are cordial, and they meet, whether in games or in scholastic competition with those schools, on terms of equality. Their future seems to depend in considerable measure upon the policy adopted in regard to the State secondary schools. If the measure of individuality which those schools enjoy should be taken away and all should be forced into a common mould, parents to whom such policies did



not appeal might well feel themselves weakened in their democratic faith and send their children to the private secondary schools.

Two developments of the past few years are important in this and other connections. In certain country schools—at Feilding in Wellington and at Rangiora and Oxford in Canterbury—able and enthusiastic teachers have been developing secondary work with a definitely rural bias. These developments attracted the interest of the department and of the farming community and led to the adoption in influential quarters of a policy of changing “from an academically and clerically minded education system to an agriculturally minded one.” Allowing for the extravagance of the language, the potentialities of such a change in rural secondary education are clearly great, though it is not clear that it has yet gone far outside these few schools. At least as important has been the current of opinion, which reached New Zealand first from the United States, in favour of reorganization of the education of children from eleven to fifteen. Provision was made in an Act of 1924 for the establishment of “junior high schools,” and experiments were made with various types, an independent school with three-year courses in Auckland, schools attached to existing secondary or district high schools elsewhere. There are now eleven of these schools, but the name has been changed to “intermediate schools.” The schools appear to be very successful, but the change of name is perhaps significant. There can be little doubt that the relative independence of the secondary schools is viewed with a certain amount of jealousy in some quarters, as if it were inconsistent with democracy. A parliamentary committee sitting during the recess of 1930 reported in favour of a single national Teachers’ Register, a unified inspectorate, and a National Committee to make all appointments; and as a necessary corollary of the latter, a great reduction in the powers of the schools’ Boards of

Governors. It also recommended a great extension of the system of intermediate classes and schools and the establishment of six new residential agricultural high schools. Unfortunately, although it spoke of the work of the technical high schools as wholly admirable, its picture of the secondary schools was a mere caricature of the facts. Its view of their work seemed prejudiced not only educationally but socially. Its reference to the objectionable social distinctions tending to divide those who have received a secondary education from those who have not was unsupported by actual evidence ; and came oddly from a House of Representatives whose own members have, in the majority of cases, found the lack of a formal secondary education no disqualification for election. The parents who send their children in such numbers to the secondary schools pretty clearly do not share these fears ; for other types of school are generally open to them. The recommendations of the report were not officially adopted, but they remain on record to inspire a doubt as to how far the undoubted enthusiasm for education in New Zealand is accompanied by a true estimate of the functions of the different parts of the education system.

New Zealand takes pride in its policy of equal educational opportunity for all ; and a community in which primary and secondary education are both free to all has some reason for its pride. There seems however to be too little appreciation of the great part that freedom and diversity should play if democracy is to make the best out of education. Primary education in New Zealand is unquestionably democratic in spirit, efficiently administered, and well calculated to turn out healthy children with a good grounding for further education. It is said that the products of the primary schools have less formal knowledge, but on the other hand that they are more alert in mind, than in former years. It is questionable, however, whether the greater freedom

of teaching at which the new primary syllabus aims is not counteracted by the systems of training and promotion. The training has consisted of one year as a probationer in a primary school, two years at a Training College, in many cases supplemented by part-time attendance at university classes, and a final year as a probationary assistant. The standard of entrants to the profession has undoubtedly risen in recent years. But the tendency to crowd the middle years of training raises the question whether the trainee has any time to supplement the acquisition of knowledge of teaching methods by a real development of his (or her) own mind. When the trainee is once in the service his promotion depends upon a grading system in its very nature impersonal, almost mechanical, for thirty-six inspectors must arrive at agreement upon the relative merit, under six separate heads, of more than six thousand teachers. A headmaster has no voice in the selection of his staff. Yet, if a school is to have real individuality, it is much more important to give a free hand to a capable and inspiring headmaster than to frame syllabuses, even liberal syllabuses, in the Department of Education; and a headmaster knows his staff and their capabilities as no inspector can. In spite of the liberalizing efforts of the Department, visiting teachers have remarked on the routine spirit of the primary schools and the dominance of the proficiency certificate examination conducted by the inspectorate.

The matter becomes more serious when proposals are made to bring secondary education more into line with primary. The secondary schools have a fine school spirit and give a sound education, though conditions prevent the more gifted boys and girls from reaching the level of intellectual attainment reached by the best in the schools of Great Britain. They still attract men and women of ability and originality, and heads of schools have sufficient freedom of action to be able to get good teachers on their staffs and make good use of them. But as it

is, the grading system—though there are only four grades, not the classified list of the primary grading—tends to check the rapid advance of ability and to provide a haven of safety for mediocrity. The salary scale is better than it was before 1920, but the number of headships is of course small and even they are not highly paid by British standards. It is true that secondary teachers are not required to undergo a course of training, but of recent years many have done so, and virtually all now take a university degree. Even if the difference of intellectual attainment be left out of account, there is no real reason to compare their teaching efficiency unfavourably with that of primary teachers. The fusion of primary and secondary teaching and primary and secondary school inspection into a single service might appear to accord with the democratic principle of equality of opportunity. But the doors are already open—and not merely in theory—by way of the inspectorate to the highest post in the whole service, that of Director of Education. There is some reason to fear that a unification of the inspectorate would, by sheer force of numbers, give the predominance to men whose honesty of intention no one doubts but whose main interests and knowledge lie in the field of primary education. Unification could hardly fail to mean more central control. The admirable attempt to encourage experiment in education between eleven and fifteen may even be vitiated to some extent if the department uses it to extend its control over a stage of education previously outside the scope of the primary education service. A new branch of the teaching service rather than an extension of another branch would seem the most satisfactory means of conducting a new type of school. An extension of central control in the field of appointments to secondary schools could not help but diminish their individuality. Already too much of the time of their heads is taken up with returns for the benefit of the educational statisticians of

Wellington. The department has recently extended its control of the curriculum to cover the books used in teaching that curriculum. If the object of democratic education is to make all think as far as possible alike, then this gradual encroachment of central control can be viewed with equanimity, or even approval; but it causes uneasiness to those who believe that the way of democratic progress lies through freedom rather than through uniformity.

The centralizing spirit is not nearly so strong in the university. Indeed the university dates from provincial days, and its development has been a lasting monument not only of the vision of the early settlers of New Zealand but also of their provincialism. The Scottish enthusiasm of Otago led to the foundation of a university there as early as 1869; but provincial feeling, fear of Presbyterian domination, and democratic desire to spread the facilities for university education as widely as possible made it impossible that this should be the sole university institution in New Zealand. Canterbury College was founded in 1873 and after long negotiations the two institutions were combined in one examining university on the London model. Afterwards colleges were founded at Auckland in 1882 and at Wellington (Victoria College) in 1897. In addition, an external system, with exemption from lectures, was devised for the benefit of part-time students living outside the university towns. All this was an inevitable consequence of the factors mentioned, but it is unfortunate that more specialization was not possible within the colleges. It has only been maintained in the professional schools, and with some difficulty there. The medical school, dental school, and school of home science are all located in Dunedin; and the only complete school of engineering is at Christchurch. But Auckland, the largest of the four centres, has shown a tendency to challenge these monopolies. It has developed what seems destined to become another complete school of

engineering ; and there was a serious danger that Auckland and Wellington might both develop schools of agriculture until they were merged in 1926 into Massey Agricultural College at Palmerston North.

There were in 1933 3,960 students attending the four university colleges and in addition 846 exempted students. These high figures, more than 3 per thousand of the population, have been reached partly because about 30 per cent. and until recently nearly 50 per cent. of the students were receiving free or partially free education, partly because of the generous provision of facilities for part-time students. Quite apart from the holders of scholarships and of training college studentships, holders of higher leaving certificates, obtained by one year's satisfactory school work after matriculation, were awarded bursaries covering a considerable proportion of their tuition fees. Degrees are granted in arts, science, medicine, law, engineering, dentistry, commerce, music, architecture, agriculture, veterinary science, and home science; and in arts and science, and to a less extent in law and engineering, the examinations in the higher stages are conducted by external (usually British) examiners.

In spite of the large number of students the university is severely handicapped by shortage of funds. The Government pays the fees of holders of bursaries and scholarships, but fees do not make up half the income of any of the colleges. Canterbury, and to a less extent Otago, are fairly well endowed, thanks to the generosity of the Provincial Governments which founded them ; and Otago has also benefited considerably from the generosity of private individuals. All the colleges, however, are dependent to a greater or less degree on Government grants which amount at present to about £36,000 annually.<sup>1</sup> So far the Government has been wise

<sup>1</sup> The total Government money received in 1933-34 was £56,700 : in 1930-31, swollen by a grant of £69,000 to Massey College for buildings, it was nearly £192,000.

enough to refrain from dictating to the university, but the presence of this financial factor in the background has probably exerted an influence on university policy. The control of the university is vested by Act of Parliament in a Senate representing the constituent colleges, the graduates, the professorial staff and the Department of Education, with certain other Government nominees; but in academic matters the Senate is largely guided by an academic board representing the professorial staffs. The colleges however enjoy a considerable measure of self-government, especially in the matters of finance and appointments. There is now an academic Vice-Chancellor, but he is a professor in one of the colleges and his position is hardly comparable to that of the Vice-Chancellor of an English university. The main responsibility for the actual work of the university rests with the constituent colleges.

There have been a good many searchings of heart about university matters in New Zealand during the past few years. A few years before the war a "university reform" movement attracted considerable support among the professors and graduates. It demanded a better financial basis, increased influence for the staff in the forming of the curriculum, increased freedom for the colleges, and the ending of the external examination system. It met with considerable success in the first two matters, and it ought to be remembered that more generous support from the Government has been a very important factor in the progress of recent years. Agitation in the other two matters continued after the war; and there was a good deal of support for the idea of converting the one examining university into four separate teaching universities. A visiting commission was accordingly appointed by the Government, and reported upon the university in 1925. It drew attention to many undoubted defects in the university—the lowering of standards by the predominance of part-time students, the inadequacy of the libraries,

the pressure of work and often inadequate salaries of the staffs—but it was often hampered by its lack of local knowledge in suggesting causes and remedies. The fact is that the main causes of these defects were inadequate finance and the pressure of democratic public opinion. Public opinion desired an extension of facilities for university education without reckoning the cost or the effect of the extension upon university standards. The commission rightly pointed out that the presence of large numbers of part-time students (especially in the faculties of arts, law and commerce) meant excessively large classes, congested timetables in the evening, and a tendency for the part-time rather than the full-time student to set the standard for the university. Yet three-fifths of these part-time students were either teachers or civil servants ; and it has been the regulation of their training and recruitment by the Government which has made it necessary for them to attend as part-time students. Nor were the university authorities responsible for the introduction of the bursary system. It was no doubt desirable in principle, but it too tended to increase the pressure upon the staff. Fifty years ago there were large classes in the primary schools, and small classes in the university. The position in the schools has been steadily improved : the position in the university has been allowed to get worse. The proportion of staff to students, which is much too low for proper specialization and individual work, and the scales of salary have, of course, been regulated by the state of the finances of the university colleges ; and the importance of these matters, the first particularly, in keeping up the standard of university education were hardly realized by public opinion. New buildings, which were in themselves desirable and often essential, made a stronger appeal ; and this was probably one reason also why the libraries received such inadequate support. There was certainly reason to fear that the creation of four



separate universities would lead to the expenditure of more money upon the duplication of university activities ; and for this reason, and also for the reason that it might lower the value of the degrees, the commission reported against it. Instead they recommended reforms in the constitution of the university ; and these have for the most part been adopted.

In view of the difficulties disclosed by the commission's report it is surprising that there has for some years been an upward tendency in university standards ; but it is evident in many directions. The standard of the degrees has been raised and candidates are required to study at least one subject to an advanced standard. There is, so good observers think, a greater interest in subjects for their own sake, apart from their value for the degrees. Post-graduate research is hampered by lack of time and funds, but a number of research scholarships have been founded since the war. A generous grant from the Carnegie Foundation has enabled a start to be made at last with the provision of really adequate libraries. Whereas before the war it was the exception outside the special schools for a professor to have a full-time lecturer or assistant it is now the general rule.<sup>1</sup> Salaries were improved before the crisis, though in the crisis they suffered severely. Professors and lecturers have been given more frequent leave to travel and study abroad ; and in this respect again New Zealand has had cause to be grateful to some of the great American foundations. The crisis has also caused the restriction of bursaries to those gaining credit in the entrance scholarship examination, which in effect means the average members of school sixth forms and it has set Otago and Victoria College free from the distracting influence of the training college students. It should be possible to use these circumstances to improve university standards

<sup>1</sup> There were in 1932 sixty-seven professors and ninety-six full-time lecturers and assistants. Roughly this is one to every thirty students.

further without doing violence to the democratic principle that all who are capable of profiting by a university education should receive it.

It can hardly be said, however, that public opinion has fully grasped the corollary of this principle, namely that full use should be made of those who receive a university education. So far as the learned professions are concerned, the value of a university training is generally admitted. The result has been the attraction of a large proportion of able young men to the professional courses in medicine, engineering and other subjects. They have been able to insist on whole-time work. The special schools have a very good reputation both in and outside New Zealand; and as public opinion accords a certain primacy to medicine among the professions, this is perhaps particularly true of the Medical School in Dunedin. The reputation of this school outside New Zealand is no doubt due to the fact that it observes the standards set by the General Medical Council in Great Britain and that its staff keep as closely as possible in touch with the progress of medical science. Its reputation in New Zealand is however partly due to the exaggerated importance attached by public opinion to the purely professional side of university work. The University Commission of 1925 alluded more than once to this tendency, which is certainly widespread. The Civil Service Commissioner welcomes the acquisition of university qualifications in accountancy or law; the business community, to an increasing extent, welcomes university graduates in commerce; the Education Department views with favour the taking of degrees in education. It is harder to find appreciation of the inquiring mind and the wide intellectual interests that should be developed by true university education, and of the fact that these increase a man's competence in his profession. A considerable section of public opinion probably regards the arts and science faculties of the university as existing mainly in order to give teachers,

for professional purposes, some knowledge of the subjects they are to teach. The openings for university women are even more restricted than for men. The crisis, however, should have brought home to the community, as it appears to have brought home to the Government, the value of the trained mind of the economist and the scientist ; and if so, that is one more step forward. It may yet come to be the pride of New Zealand that its university turns out not merely competent professional men, but men of intellect and culture. But before the labours of the university staffs receive such a reward there is much ground to be travelled. The financial difficulties are still great, and especially in view of the depreciation of the currency will continue to hinder the offer of salaries, conditions of work, and opportunities for research that are attractive to able men. They may tend to promote "inbreeding," and though New Zealand graduates are now making a very important contribution to the work of the University, it cannot yet afford to depend solely upon them. The financial difficulties are not the only ones, however : the atmosphere of New Zealand, and even of the university, is not yet very favourable to the development of aesthetic and intellectual interests for their own sake. Nor is it very favourable to the critical spirit which is an essential part of the academic life.

Even a democratic community cannot be sure that its ordinary educational system will reach all those who have the desire and capacity to benefit by "higher education." Such desires often develop late, when men and women have found their niche in life. The Workers' Educational Association, which began work in New Zealand in 1915, met a real need. It has received support from the university colleges, from local authorities, and from the Government. Even in 1933, when the Government subsidy was discontinued, 262 classes with about 5,500 students, two summer schools, and various other activities were maintained. Valuable work has been done in the

towns ; but the most significant development has been in the country districts, where the population is now less mobile and more responsive to such stimuli. A real attempt is being made to relate adult education to the conditions of country life. A remarkable experiment at the little country town of Oxford in Canterbury within the last few years has shown that a rural community under an enthusiastic and understanding leader can develop a whole new range of interests through the medium of the drama. A travelling library has been instituted also ; and the possibilities of broadcasting for adult education are beginning to be realized. There is ample scope for further experiments, and the aim is nothing less than the development of a rural life which is enlightened by a culture of its own.

An education system may reach a very considerable proportion of a people and inspire many individuals with an appreciation of literature and the arts and an enthusiasm for knowledge. In so doing it may provide favourable conditions for the creative spirits on whom in the last resort the progress of culture and thought depends ; but it cannot command them to appear. The faith of the New Zealand pioneers in education was great, but perhaps rather because education was the pathway to social equality than because it broadened and informed the individual mind. Now that the pioneering period is passing from actuality into history educational perspectives seem to be widening and democracy seems to be coming to terms with culture. This however is a slow process and the progress of actual creative work is naturally slower still. In this respect the absence of a single metropolitan city like Sydney or Melbourne is a delaying factor. London is still, as was apparent to the insight of Siegfried in 1904, the intellectual capital of New Zealand, and draws to it many of those whose chosen field is literature or art or science.

Not that New Zealand has ever been entirely without literary interests. Among its early settlers were an

unusual number of cultivated men. The departure of one of them, Alfred Domett, called forth one of Browning's best-known poems and they continued to correspond. Men such as he wrote for the early newspapers; but even they found little leisure for literature. After thirty years in New Zealand, Domett produced in 1872 a long poem, *Ranolf and Amohia*, which every New Zealander can cite by name but few, probably, have read. It is an epic, longer than *Paradise Lost*, marked by considerable intellectual power and by a talent for natural description. From the poetic point of view its reach far exceeds its grasp. Yet it stands out among a considerable mass of ephemeral verse appearing in "poets' corners" of the newspapers and in various short-lived periodicals. In such periodicals imaginative writing, articles on philosophy and current affairs, and literary criticism appeared, and the standard was commendably high; but their short life showed how narrow was the public to which they appealed. They were clearly an attempt to keep up literary and other interests acquired in the Old World: they hardly belong to New Zealand literature.

One literary figure of the first rank came to New Zealand as a young man, and it may fairly be said that *Erewhon* owes something to Samuel Butler's years on a New Zealand sheep-station. Not only did the book originate in certain contributions to the Christchurch Press; but there is every reason to believe from the opening chapters that the romantic scenery of the Southern Alps stimulated Butler's imagination and gave *Erewhon* its particular literary form. Butler himself, however, fully appreciated the cultural difficulties of early New Zealand. "New Zealand," he wrote, "seems far better adapted to develop and maintain in health the physical than the intellectual nature. . . There is little conventionalism, little formality, and much liberality of sentiment; very little sectarianism, and, as a general rule, a healthy sensible tone in conversation, which I

like much. But it does not do to speak about John Sebastian Bach's Fugues, or pre-Raphaelite pictures."

At this very time, however, two works were published which, without belonging to the highest kind of literature, are classics of their kind. Their author, F. E. Maning, Judge of the Native Land Court, was Irish-born and Tasmanian-bred but had lived for many years among the Maori people. In his *History of the War in the North of New Zealand against the Chief Heke* he closely imitates not only the structure but even the peculiar rhythms of the spoken discourse of the Maori. His rare insight into the Maori mind, his humour, and his Homeric descriptions of battle-scenes set the book, as literature, in a class above the many more substantial works that had already been published about the life of the Maori. Next year (1863) Maning gave in his *Old New Zealand* a fuller account of Maori life, based on his own experiences. It is much less systematic in form and more racy and colloquial in style; but it shows the same qualities that distinguished *The War in the North*. Both the books live; and their place in the history of New Zealand literature is assured. Maning will always remain the literary representative of the "Pakeha Maori."

The chief literary output of New Zealand until about 1890, however, consisted of reminiscences and descriptions of colonial life, sometimes cast into the form of novels, but obviously written for an English public and depending upon their subject-matter, not upon their literary quality, for such appeal as they possessed. One of these novels at least, *Philosopher Dick*, by George Chamier, has a certain permanent value. It is a novel of disillusionment. Its dialogue is stilted; but it shows considerable powers not only of natural description but of psychological analysis, and in spite of lapses into banality it is often both vivid and amusing.

*Philosopher Dick*, which is an analysis of cultural isolation, did not appear until 1891. The 'nineties,

which saw the establishment of political democracy and of its policy of social reform, also saw the first conscious attempts to create an indigenous New Zealand literature by writers born in New Zealand. The novels of Edith Searle Grossmann were *pièces à thèse*, products of the militant feminist movement: they are sincere and sensitive, but melodramatic, and their preoccupation with social and political issues is harmful to their artistic quality. Another didactic novel, *Ko Meri*, by Jessie Weston, deals with social conditions in Auckland but more particularly with the decline of the Maori race. The novels of Mrs. J. G. Wilson (later Lady Wilson) were of a different type, being "novels of manners" in a New Zealand setting. There were poets also—Thomas Bracken, a journalist-poet of Otago, who had already published some simple, sincere verse, Arthur H. Adams, and B. E. Baughan, who later broke away from the conventional English models and experimented with the New Zealand vernacular. But on the whole the most satisfying literary work of the decade was a history and interpretation of New Zealand, Pember Reeves's *Long White Cloud*. The career of Reeves, who was something of a poet as well as a statesman, seemed of good augury for the future of New Zealand culture. But in general the attempt to create an indigenous, national literature failed: the venture was made with insufficient capital. Reeves himself went to England, where indeed *The Long White Cloud* appeared. Many other writers also migrated to England or occasionally to Australia and lost a good deal of their national individuality.

This cannot be said of the most remarkable of these writers, Katherine Mansfield. The outline of her life—her New Zealand childhood, her school in London, her return to New Zealand, her final departure for London, brief fame, and premature death—is well known. The most gifted of New Zealand writers, she felt most acutely the limitations New Zealand imposed upon her gifts. "No writers, no

artists, no pictures, no books," she complained: she felt that she wished to move with the times in literature, and that in New Zealand she could not. Yet she could not and did not wish to rid herself of New Zealand influences. "I thank God," she wrote, "I was born in New Zealand. A young country is a real heritage, though it takes one time to recognize it. But New Zealand is in my very bones." The most vivid and impressive of her stories, such as *At The Bay*, *The Garden Party*, *The Voyage*, are those in which she lives over again scenes of her own childhood. She paints, or one might rather say she etches, with the deft and delicate touch of an artist in words, the New Zealand setting. A more vigorous talent might have enabled her to draw her material from a wider field and perhaps have made her more sympathetic to her environment; but even with her limitations, Katherine Mansfield showed that ordinary, humdrum New Zealand life was raw material for literature. Though she does not stand in the front rank of English literature, she has an assured place in it, and she is supreme as yet among the writers of New Zealand.

Katherine Mansfield's chosen medium was the short story. This finds a local market as the novel hardly can. In 1929 an anthology of New Zealand short stories, for the most part reprinted from local periodicals, was published in England. Thirty-one different writers were represented, and the level was creditably high. One writer not represented—James Cowan—has among many stories, chiefly of Maori life, written one or two which are quite first-class. Of New Zealand novels the best yet written is the first novel of Jane Mander, *The Story of a New Zealand River* (1920), a description of life in a timber-milling settlement in the North. The book is well-constructed and shows unquestionable literary power both in its natural descriptions and in its drawing of character; but none of her later books has reached the same standard. Nelle Scanlan, who has written a



trilogy descriptive of the life of a New Zealand family from the 'fifties to the present day, has met with more popular success, but hardly shows equal literary gifts. A lively novel with a New Zealand setting, *Spur of Morning*, has recently been written by Alan Mulgan, who was already known as a writer in other fields. But in all these novels it is the setting rather than the treatment that is distinctively national; and they have all been published in England. The local market for literature is improving, but it is still small. Several volumes of poems have appeared in recent years; and an anthology of contemporary verse was published in England in 1930 under the title *Kowhai Gold*. It showed a certain lack of vigour and variety. But one writer in particular, Eileen Duggan, has the real stuff of poetry in her. Recently a new interest in drama has also developed. Few theatrical companies visit New Zealand now, but there are flourishing repertory societies and there are encouraging signs of interest in the country districts. The repertory societies, of course, draw chiefly upon the English stage for their presentations; but there have been several successful competitions for local productions.

There is to-day a new element of hopefulness and promise in the literary atmosphere of New Zealand. But it would be a mistake to expect too much. Literary talent needs instructed criticism and encouragement: it needs standards by which to measure itself. There is a great temptation in New Zealand to judge local work by its own standards rather than by the standards applied to English literature, in which, even if it develops characteristics of its own, it must hope for "Dominion status" rather than independence. This lack of proportion about contemporary work is by no means confined to New Zealand. But there are certain works which by almost universal consent pass at once into the domain of literature. New Zealand need not fear that such works, if produced, would remain unnoticed by the

wider literary world, but she has not yet produced them.

If New Zealand literature still belongs mainly to the future, that is still more true of art. New Zealand was founded at a time when English art was at a low ebb. She has none of the early buildings which gave a certain architectural background to some other colonies. When her architects began to build with a certain permanency they naturally built in the style of the Gothic revival—a shadow, as it were, of an imitation. "In New Zealand," as Mr. Alan Mulgan truly remarks, "a country house rarely adds to the beauty of the landscape; generally it is a blot. That is the land of galvanized iron, which is probably the ugliest building material ever invented." There are a few good buildings in New Zealand towns, but even they hardly have merit enough to stand out from the general mediocrity. There are Art Galleries in the principal towns and in Wanganui and Nelson. In the judgment of a recent visiting commission, Wanganui has the finest pictures, Christchurch the loveliest interior and Dunedin the best arrangement and most careful selection. But there are very few old masters and the collections naturally cannot in any sense be called representative. It is true that in recent years exhibitions of pictures, even of modern pictures, from outside New Zealand, have been arranged, and have attracted interest. But the art student in New Zealand must depend for his knowledge of the great art of the past and the artistic movements of the present upon reproductions and books. What happens, naturally, is that the more successful make their way when they can to the artistic centres of the Old World, and there they tend to stay. The most distinguished artist New Zealand has yet produced, the cartoonist David Low, is a case in point. It is surprising in the circumstances that interest in art is as widely diffused as it is. There is no professional art of real standing in the artistic world, but there are, of course, teachers of art,

many of them with English experience and training. There are several art societies which hold annual exhibitions, strongest in the department of landscape, to which New Zealanders naturally look when they seek beauty. Recently a quarterly of some merit, *Art in New Zealand*, has been appearing, and may serve to encourage the best work. It will probably be found however that the force of gravitation will continue to draw that best away from New Zealand, though much may be done to widen and cultivate artistic appreciation.

Music is in like case, though it has the advantage that its classics are far more easily diffused, particularly in these days of the gramophone. There is no Conservatorium of Music. There are, however, and have long been, musical societies in many towns, though they are apt to be rather conventional in their choice of works for performance. Singing is taught in the schools, but the musical value of much of the teaching is, to say the least, doubtful : in recent years there has also been a development of lectures on music in the University Colleges. The gramophone has been a great boon in this and other respects to musicians in New Zealand. The influence of broadcasting, however, is not to be compared with its influence in England : if the Board had the courage to give a subsidy to an orchestra which could offer some attraction to musical talent it would give a great stimulus to music in New Zealand, but there does not appear to have been any great demand for this. All too many New Zealanders know nothing of the world of music outside the popular song.

The field of culture in which New Zealand is most at home is science. There are many museums, strongest on the ethnological side and particularly in their collections of Maori material. Auckland decided to make a new museum its war memorial and collected nearly £250,000 for the purpose ; and with the aid of the local authorities it has been assured an adequate income. A new Dominion

Art Gallery and Museum is now building in Wellington. Though full use is hardly made of the museums, they are a credit to the country, the more so in that their growth has been largely due to voluntary effort. In many of the natural sciences the country is fortunate in possessing unique material ; and from the very beginning of colonization this has been a stimulus to scientific observation and research. It was the accident of genius that gave New Zealand a Rutherford, and she could not hope to retain him : but she has been the scene of the scientific labours of many men of distinction in their various fields. To give merely one example, the work of Dr. Leonard Cockayne on plant ecology won him an international reputation. Quite early in New Zealand's history scientific and philosophical societies were founded in the main centres. These devote themselves in the main to the popularization of science, but they are affiliated to the Royal Society of New Zealand, known until recently as the New Zealand Institute, whose main function is to encourage and publish scientific research work. Botany, zoology, palaeontology and geology are the branches of science that figure most prominently in its *Transactions*, but other branches are represented from time to time. Most, though not all, of the research work is done at the University Colleges or, if it has a definite practical bearing, in the Government Departments ; and Government makes a small annual grant to the Royal Society. In recent years the coincidence of increasing scientific activity and financial strain has been a serious difficulty ; but on the whole the outlook for science in New Zealand is encouraging.

But when all is said of the educational and cultural activities of New Zealand, the fact must be faced that the average New Zealander—and in New Zealand the average man, and not the philosopher, is king—devotes his leisure to other things. The sea calls him to some of the best beaches and some of the best yachting and fishing grounds in the world. The

mountains call him—to shoot, to ski, to climb. The playing field calls him ; and he plays many games well and Rugby football magnificently. In such diversions the youth of New Zealand find an outlet for their physical vigour and their love of excitement, and the taste stays with them in later life. *Mens sana in corpore sano*, say the optimists—but at bottom the New Zealander cares more for the second half of the famous tag than for the first. He is a hard worker, steady, capable, practical. He has the usual English suspicion of the theorist, but there is perhaps less of the amused English tolerance of the “intellectual” and the “crank.” But after all the mind, like the body, needs exercise and variety of occupation to preserve its health and vigour. How far can external contacts, news, literature and travel counteract the narrowing influences of isolation when there is so much to tempt men to forget the claims of the mind? That is a question more easily raised than answered.

## CHAPTER XIV

### THE PLACE OF THE MAORI IN THE NATIONAL LIFE

THE Maori people form less than one-twentieth of the total population of New Zealand, but they have too strong an individuality to be neglected in any account of the national life. The average New Zealander goes blissfully about his daily work without much thought of the Maori problem. He is not in personal contact with the Maori. He is familiar with their appearance and with their prowess on the football field : he has some idea of their characteristics and genuine good will towards them : but his knowledge of the Maori problem and the Maori policy of New Zealand is vague and superficial. The farmers in Maori districts of the North Island and perhaps the inhabitants of Auckland, the only one of the four cities in which Maoris are to be seen every day in the streets, are in rather a special position : to them certain aspects of the problem are only too familiar, but even among them it is none too common to find a broad and well-balanced view of the problem as a whole. The solution is left almost wholly to the Native Minister and the officials of the Native Department, and to the leaders of the Maori themselves. To them it is a very urgent problem ; and on its solution depends the fate of a remarkably gifted race.

It is necessary, even in a brief survey of the Maori problem, to go back to the end of the Maori Wars, for a new phase in the history of Maoridom then began. The wars settled once and for all the question whether Pakeha or Maori should be dominant in

New Zealand.<sup>1</sup> In their later stages, however, they revealed a strong feeling among the victorious Pakeha in favour of a reconciliation of the races and a constructive native policy. If some Maori tribes had shown bitter and determined hostility to the white man, others had fought sturdily and skilfully by his side. The two main foundations of the constructive policy were the grant of representation to the Maori in Parliament and the education of Maori children. On the other hand it was easier for the victorious party to be generous and conciliatory than it was for the beaten party to welcome their overtures. The beaten tribes, sore at the loss of their lands, had in some cases withdrawn into the rugged interior where they led a self-sufficient existence and refused all truck with the white man. A new and hopeless war did not seem to be out of the question. "If the Pakeha still wants to dispute with us these last of our territories," one chief told an Austrian traveller in the early 'eighties, "I am determined that I and my tribe shall fight to the last man, and at any rate die as free Maoris on our own soil."<sup>2</sup> Other tribes were sunk in despair, mental apathy, and physical decay. Neither defiance nor despair was a possible foundation for progress. The schools could not be established in the Maori villages without the co-operation of the Maori: and indeed it was thought wise to provide that the villagers should promise contributions to the cost of buildings and salaries. Moreover, although it was desirable to move slowly, it was impossible to stand still, for with the end of the wars settlement began gradually to invade the interior of the North Island, where hitherto the Maori had held undisputed sway. The Native Land Acts of 1862 and 1865 had chalked out the path which settlement was supposed to follow. Pre-emption by the Crown was abandoned,

<sup>1</sup> The word *Pakeha* is used by both races to mean the New Zealander of European origin (or for that matter any white man) as contrasted with the Maori.

<sup>2</sup> The quotation is from Andreas Reischek, *Yesterdays in Maoriland* (trans. H. E. L. Priddy).

nor was it resumed even when Government began to purchase native land as part of the Public Works Policy. A Native Land Court was set up to investigate titles, and individuals might buy or lease land only after the question of ownership had been decided. At the same time the object of this legislation was to facilitate European settlement, and in view of the complications of Maori landownership and the perplexities of the Maori people it was clear that the new period would be a difficult one for racial relations.

The difficulty was increased by the actual working of the land legislation. A new Native Land Act in 1873 required every member of the tribe or *hapu* (sub-tribe or clan) interested in a particular piece or block of land to be named in the instrument of title ; and no contract or agreement, lease, sale or mortgage was to be valid unless executed by every person named according to the prescribed formalities. The intention of Sir Donald McLean, the Minister responsible for the Bill, was to ascertain with the assistance of the chiefs tribal and *hapu* boundaries ; and then to compel the division of tribal estates into *hapu*, family, and ultimately individual holdings. Dealings in land would, he believed, be freer ; but the interests of the Maori would be safeguarded by inalienable reserves of at least fifty acres for each man, woman, and child of the Maori race. Events took a different course, however. The administrative machinery contemplated by the Act was never set up ; tribes were not divided into *hapu* before dealings began ; reserves were not set aside ; the Act was simply used as a means to " free trade in native lands." The result is vividly described in the report of a subsequent commission. " The crowds of owners in a ' memorial of ownership ' were like a flock of sheep without a shepherd, a watchdog, or a leader. Mostly ignorant barbarians, they became suddenly possessed of a title to land which was a marketable commodity. The right to occupy and cultivate possessed by their



fathers became in their hands an estate which could be sold. The strength which lies in union was taken from them. The authority of their natural leaders was destroyed. They were surrounded by temptations. Eager for money wherewith to buy food, clothes, and rum, they welcomed the paid agents, who plied them always with cash and often with spirits . . . In most of the leases and purchases effected the land was obtained in large areas by capitalists. The possession of wealth, or that credit which obtained it from financial institutions, was absolutely necessary to provide for native agents, interpreters, and lawyers, as well as to distribute money broadcast among the native proprietary."

Moreover this legislation fostered bad blood and hampered economic progress among the natives themselves. Titles could have been settled easily enough in the traditional atmosphere of their own councils : "pitted by our laws against each other in the Courts," says the commission already quoted, "they held all stratagems to be honest, all testimony justifiable which conduced to success." Improvements might be begun by enterprising individuals or groups ; but their co-owners would assert their equal right to the crops or turn their stock into the fenced pastures. The controlling factor in native policy was still the feeling that the Maori had more than enough land for all their requirements, and the criterion of success was the unimpeded advance of European settlement. After Sir George Grey had visited the Maori "King" Tawhiao and Tawhiao had visited Auckland, the King Country was opened to Europeans ; but in this region the Crown resumed its pre-emptive right. Indeed in 1886 the Maori were given the option of a paternalistic system of control instead of free individual dealing. But they rejected it ; and in 1888 a return was made to the old methods. In the short run the interests of the Maori coincided all too closely with the promotion of settlement, for they could live comfortably for a while on the proceeds.

Yet in 1891 the Commission already referred to found that in a few more years the Maori might well be, to all intents and purposes, a landless people.

The appointment of this commission was perhaps a sign that times were changing ; but the Liberal Government did not accept many of its recommendations. Anxious in its turn to promote settlement, it resumed in 1892 the pre-emptive right of the Crown and set about the purchase of native lands in systematic fashion. Before 1900 it had purchased, or was in process of purchasing, 2,729,000 acres. It also provided for the exception of lands, by Order in Council, from the general restriction on private dealings ; and between 1895 and 1900 423,000 acres were thus excepted. The new system perhaps avoided the worst abuses of the old ; but the emphasis was still on alienation. This was the object even of an interesting provision of 1894 for the incorporation of the owners of a block of land, and the appointment of a committee with full power to act, subject to the consent of the Commissioner of Crown Lands and the control of the Public Trustee over the proceeds of alienation. The restrictions on leasing were often irksome to the Maori ; the purchase prices seemed inadequate to the more far-seeing among them ; and wholesale Government dealings, whatever their advantages, meant that when settlers came they came not as single spies but in battalions. The younger Maori leaders took the matter up, and it was their energy and freshness of outlook which brought about a change of direction in native policy. After meetings of the tribes all over the North Island they united in asking Parliament that Crown purchases should cease ; and that the remaining Maori lands should be administered by councils of representative Maori leaders. As a result of this request the Maori Land Administration Act 1900 was passed, and for the first time the danger that the Maori might be left landless was expressly recognized by legislation. District Councils, consisting in part of elected Maori

members, were to be set up: it was provided that Maori owners might vest their lands in these Councils and that future leases were to be arranged through them. Precautions were also taken against alienation of lands, even to the Crown, by Maori who had not sufficient for their own support.

The change of policy was too radical to be altogether successful. In the Wanganui district, the King Country, the Rotorua district and the East Coast region lands were vested in the councils; but on the whole the tribes were suspicious of them. They were afraid that this was only a prelude to more wholesale alienation, and they rather enjoyed the long negotiations with private lessees or purchasers and the complicated litigation before the Native Land Court which the Act would make less necessary. On the side of the settlers, as the supply of land for closer settlement became exhausted, there was an outcry against the blocking of settlement, and the Government were obliged to modify their policy. Crown purchases were resumed; and an Act of 1905 removed the restrictions on leasing and empowered the Government to vest lands compulsorily in Maori Land Boards if in the opinion of the Native Minister they were not required by the Maori owners. The experiment of partly elective boards was also dropped, though of the members one at least was to be a Maori. Nevertheless the Act was itself an indication of the new importance attached to Maori interests. It was made obligatory on the Government, before the completion of a sale, to ascertain whether the Maori vendors had other lands sufficient for their maintenance and if not to make reserves of a stated amount.

This change of attitude was only one of many signs of the increased influence of the Maori themselves upon native policy. In 1899 James Carroll, a half-caste Maori who thoroughly understood their psychology, had become Native Minister. Still more significant and hopeful was the organization of a "Young Maori" movement, by a group of educated Maori, to

press certain definite reforms upon the Government and upon Maori opinion. They were responsible for the Maori Councils Act 1900: the councils and village committees under them were to make and administer regulations on health and other matters. Model by-laws were circulated among the councils; and a young Maori leader, Maui Pomare, was appointed Government Health Officer to the Maori. Another young Maori leader, Apirana Ngata, was mainly responsible for devising, among his Ngatiporou near East Cape, schemes for overcoming the obstacles to progressive Maori farming. The chief of these obstacles was the excessive individualization of title by the Act of 1873; and the first means of overcoming it was the system of incorporation authorized by the Act of 1894. Local settlers, notably members of the missionary family of Williams who held two neighbouring sheep-runs, and storekeepers helped with advice in farming methods and with finance; and by 1908 the Maori of the district had cleared, fenced and grassed 57,000 acres, and owned fourteen woolsheds, 83,000 sheep, and 3,200 head of cattle. The Ngatiporou were a specially fortunate tribe. They had fought for the Pakeha in the Maori Wars. Their friendliness to the Pakeha then, and the remoteness of their situation, had enabled them to retain an exceptionally large proportion of their good land. But their success was a good omen. Such progress as this was by far the best safeguard against eventual loss of the remaining Maori lands.

It remained to impress upon public opinion the importance of encouraging these developments, whilst appeasing the European demand for land by making available Maori lands that could not be so utilized. The appointment of the Stout-Ngata Commission, which in 1907 and 1908 reported on about two million acres of native land, was an important landmark. The paramount consideration in native policy, the Commission reported, was the encouragement and

training of the Maori to become industrious settlers. Whilst the State helped the European settler to get a good title, undertook surveys, and lent him money for improvements, the Maori was hampered as to his title and handicapped by want of training and want of capital. The Commission had no great fault to find with existing legislation ; but held that the Native Land Court should be strengthened and should devote more of its energies to the unsettled districts, that the Maori Land Boards should be strengthened both in membership and in powers and made more use of, and that the system of Crown purchase of native lands should cease.

Crown purchase did not cease. About a million acres were purchased between 1911 and 1920, and another 1,300,000 acres were sold through the Maori Land Boards, leaving nearly 4,800,000 acres in Maori ownership. But the purchases were made through a Board of which the Native Minister and Under-Secretary were members, along with the Under-Secretary for Crown Lands and the Valuer-General. It was a guarantee that native interests would be kept in mind. Still more significant for the future was the continuation and extension of the experiments among the Ngatiporou under a new policy of "consolidation." Native custom allotted specific areas to long departed ancestors ; and in effect Native Land Court decisions were upon the rights of ancestors, whose descendants—both in the male and in the female line—were obliged by custom to accept a certain proportionate share of those rights, wherever they might be situated. The increase of migration and extra-tribal marriages made the dispersion wider than ever. The aim of the new policy was as far as possible to gather these widely scattered interests by means of exchanges into one location conforming to modern requirements in such matters as boundaries, access, and water-supply. "While the incorporation of owners," writes Sir Apirana Ngata, "was deemed to be the readiest means of organizing a

communal title for purposes of finance and effective farm-management, it does not satisfy the demand instilled into the individual Maori or family by close contact with the highly individualistic system of the Pakeha. Consolidation is the most comprehensive method of approximating to the goal of individual or at least compact family ownership." It encountered a good deal of conservative prejudice, but it kept the community in close touch with its land, as management through Maori Land Boards and trusts of various kinds, in spite of excellent intentions, could not<sup>1</sup>; and it has gradually spread from the East Coast to the Bay of Plenty, the King Country, and North Auckland. The effects of inheritance may make further consolidation necessary later ; but that does not invalidate the policy.

The question of title, however, important as it was, was only the beginning of successful farming. It will be apparent from earlier chapters that farming in New Zealand is very largely a question of finance. The Maori landowner was theoretically able to take advantage of the "advances to settlers" legislation, but whilst the State as legislator had regulated his title the State as money-lender looked askance at it. The power of mortgage had been restricted to prevent Europeans from obtaining a stranglehold on native landowners. The "farm management committees" of incorporated blocks were authorized to raise money on mortgage; but most of the financial assistance received by the Maori was through private individuals, stock agents, or storekeepers, without hypothecation of the lands, and the possibilities of these methods were limited. In 1921 a Native Trustee was created and an Investment Board was empowered to advance money on mortgage on any native freehold land, or land vested in incorporated owners or in any Maori Land Board ; and the Native Trust Office took over the funds accumulated on the natives'

<sup>1</sup> The Maori Land Boards were again reconstituted in 1913 and thenceforth consisted of the District Judge of the Native Land Court and the Registrar of the Court.

behalf by the Public Trustee. Subsequent measures permitted advances to co-operative companies the majority of whose shareholders were natives, and advances on land vested in or administered by the Native Trustee ; and empowered Maori Land Boards to advance moneys on mortgage with the consent of the Native Minister. These Boards, which had begun as a safeguard against exploitation of the natives, became primarily instruments for promoting their social and economic welfare in positive ways.

Meanwhile the Maori was acquiring confidence in his own ability to develop his land. The Ngatiporou were in the van. In 1923 some of the younger members of the tribe urged that dairy farming be instituted in order to cope with the increasing pressure of population on their lands. A co-operative dairy factory was organized, with a European manager but a Maori Board of Directors ; and it was found that dairying, with its co-operative principle and its monthly returns was better suited to the Maori temperament than cropping or sheep-farming. Here, clearly, was a starting-point for more far-reaching schemes.

Such schemes were becoming necessary for other reasons. In the first place the Maori population was showing a marked tendency to increase. The lowest census total was 39,854 (exclusive of some 2000 half-castes living as Europeans) in 1896 ; by 1926 the total (inclusive of half-castes) was 63,670. The question was all the more urgent because the Maori had all along done more than his share in clearing the forests, draining the swamps, making the roads and railways, preparing the land for settlement ; he had worked also in the sawmills, in the flaxmills, and on the kauri gumfields ; and these occupations were all declining in importance. The close of the pioneering period, which entailed many readjustments in the economic life of New Zealand, was bound to be a time of special stress for the Maori. A considerable number of them, with practical experience of almost every

operation relating to the development of land, were thrown on their own resources. On the other hand the increase in the advances of the Maori Land Boards under the new powers given them was already putting some strain on the funds of the Native Trustee. It was clear that any large scheme of land development would depend upon the provision of new resources by the State.

Parliaments and Governments since the war had shown a genuine desire to remedy Maori grievances. In 1921 a Royal Commission had investigated certain unfulfilled engagements connected with the South Island land purchase of Sir George Grey in 1848. In 1926 another commission inquired into grievances arising from the confiscations after the Maori Wars. Each reported that there was substance in the Maori claims and that compensation ought to be awarded, and the Taranaki tribes receive £5,000 annually in consequence of the Confiscation Commission's report. If there was hope that Parliament might be induced to support Maori land development as an act of justice to the Maori people, there were also practical reasons for action. In 1910 certain Maori lands had been made subject to local rates, but although this principle had been accepted by the Stout-Ngata Commission it had not been very acceptable to the Maori landowners. Local body expenditure, on roads particularly, increased: the Maori had little enthusiasm for these improvements and was often unwilling to pay rates for them, and the diffusion of ownership made it difficult to fix the responsibility. The control of noxious weeds was also hampered by inefficient Maori farming. It was desirable from the point of view of European farmers that Maori land should be made more productive, the Maori farmer more efficient, and the Maori outlook more modern. In short, when Sir Apirana Ngata became Native Minister in the Ward Ministry of 1928, the time was ripe for a bold policy of native land development.

Parliament took action in 1929. A measure of



that year for the development of unoccupied Crown lands before settlement was accompanied by another Act for the development of land in Maori ownership or occupation. To overcome delays or difficulties about titles, the Native Minister was authorized to bring such lands under a development scheme, and interference or alienation by owners was then prohibited. The funds were to be supplied by the Treasury through the Native Land Settlement Account, though they were to be charged against the land developed.

The powers granted to the Native Minister were wide ; and much therefore depended upon Sir Apirana Ngata himself. Knowing the Maori, he knew that a Maori land development scheme could not be conducted as if it were a scheme for the development of European lands. It was necessary to take into account the traditional organization of the Maori tribes. In some ways this was well adapted to provide the leadership so essential if the tribesmen were to respond with vigour and enthusiasm to the new opportunity. Rank and influence in Maori society depended not on birth alone but also on decision of character, initiative, foresight and ability, and chiefs were not expected to lead a life of ease but to direct the more important economic activities of the tribe. If they could be induced to throw their weight behind the schemes, a long step would be taken towards success. On the other hand Sir Apirana Ngata seems to have believed that the ordinary machinery of the Native Department would be more likely to hinder than to help. Some of the procedure which he in his enthusiasm treated as mere red tape has been shown by the experience of generations to be necessary for the successful conduct of public business ; but it is also true that the training of Native Land Court Judges, around whom the organization of the Department might be said to have crystallized, was not such as to equip them for the conduct of farming operations. Moreover if men

experienced in farming were brought into positions of responsibility in the Department, would they have the requisite sympathy and experience of Maori mentality? In these circumstances Sir Apirana Ngata's policy was to keep the administration of the schemes as far as possible in his own hands and to rely in the various districts not only upon the Maori Land Boards but upon his personal prestige and upon tribal leaders or private individuals selected by himself. He did not hesitate, moreover, to give a very broad interpretation to the powers entrusted to him by the legislation of 1929. He was influenced by the necessities of the tribes as he saw them rather than by what he regarded as European technicalities.

The first development scheme gazetted was at Horohoro, ten miles from Rotorua. In the Rotorua and Bay of Plenty districts there had been many Maori employees on public works, and the effects of the tapering off were felt. The Arawa of Rotorua were affected by the abandonment of uneconomic farms in the post-war slump and the Ngati-Tuwharetoa of Taupo, more severely, by the depression in the timber industry. The annuities received by them from 1922 and 1926 respectively in compensation for their fishing rights in the Lakes were not productive of as much benefit to the tribes as might have been hoped. At Horohoro there were about 5,000 acres, it was estimated, of arable land. A certain number of the owners of the block were selected to take part in the work of development; but as the tribesmen had little farming experience, a small colony of experienced men from Hawke's Bay, without openings in their own district, were also introduced. At the end of the second year, Sir Apirana Ngata claimed, fifty men, working cheerfully for subsistence wages, had for a total expenditure of some £34,000 enclosed sufficient pasture for twenty-three settlers and prepared the ground for eleven more; built cottages for twenty-eight families; completed nearly

eight miles of roads and 44½ miles of fencing ; and also had 450 tons of hay and 152 acres of turnips in readiness for dairy herds. More than half of the men were said to be occupying surveyed, grassed, and enclosed allotments. It appears from the report of the recent Native Affairs Commission that the development of Horohoro has not yet been completed and has been expensive : the wisdom of choosing this pumice land may be questioned.<sup>1</sup> But it seems unquestionable that the results impressed other Maori communities, who were encouraged to send representatives to see the work. More schemes have been undertaken in these districts than in any others. The best results appear to have been obtained at Ruatoki on the Whakatane River, where dairying had been carried on for years but in a haphazard and unscientific manner and an expenditure of £38,000 to March 31st, 1934, has brought about many desirable improvements.

In the districts occupied by the Waikato and Maniapoto tribes there were fewer schemes, but that there were any at all was an achievement in itself. These were the regions in which the Maori " king " formerly held sway, and his family still have great influence. The Waikato tribe suffered very severely from the confiscations, and the Ngati-Maniapoto were the strongest adherents of the war party ; among both, resentment and suspicion of the European and his Government had become traditional. Yet Sir Apirana Ngata induced the " king " Te Rata Mahuta and his family to lend their support to the new policy ; and his cousin, the chieftainess Te Puea Herangi, has taken a very active part in it. Some hundreds of acres of land in the Waiuku district were developed by a working bee under her personal management, a member of each family group being made responsible for the payment of wages, on a sustenance basis, distributed by her.

<sup>1</sup> Pumice country has been the subject of many experiments in recent years : whether it can be profitably farmed is a disputed point. But much Maori land in this district is pumice land.

Land that was formerly overrun with noxious weeds has been converted into well-laid pastures with good fences and sheds: and the recoupment from sales of produce and livestock and assignments of cream-cheques is a considerable set-off against the expenditure. Other schemes have been undertaken on lands farmed by the chiefly family, and the tribesmen have given gratuitous labour, in spite of offers from the Department, and made contributions of stock and materials. The Maniapoto tribe had more land left, and for many years after the opening up of their country by the Main Trunk Railway received so much from rents that with the exception of a few progressive and thrifty individuals they neglected farming. But their situation became less happy when they sold the freehold of certain townships, when in the post-war slump many lessees abandoned their holdings or had their rent reduced, and when the timber industry declined. Here, too, various development schemes were begun in 1930 and 1931; but whether owing to the lack of such inspiring leadership as that of Te Puea Herangi, or the inferiority of the land selected, or some other factor, the policy has been less successful than in the Waikato. Some of the areas grassed, the Native Affairs Commission reports, are reverting to fern and second growth.

In North Auckland, which includes about a quarter of the total Maori population of New Zealand, the schemes had to take a somewhat different form. It was not so much a question of breaking in new land as of further developing existing farms. The Maori holdings were very scattered and were largely reservations around village sites and sources of natural food supplies, intervening lands having been sold or leased. Tribalism had weakened: there were a large number of individual Maori smallholders, but they were poor. The kauri gum industry, which had helped them to eke out a living, was in decline. There were still more than half a million acres of Maori land, but such was the diffusion of

ownership that the number of names recorded on titles was nearly five times the number of the Maori in the district. Non-payment of rates had been a particularly acute problem, and in 1927 the Government had appointed Consolidation Officers to try to achieve, on the Ngatiporou model, a reasonable measure of aggregation of the interests of individuals or families or at least of associated groups of manageable size. In June 1930 large areas were gazetted as development areas to enable advances to be made to individuals or families within them. The Consolidation Officers were asked to report upon applications for assistance, and the consolidation of titles, which had proved too slow to meet the needs of the times, was virtually suspended. The advances took the form of seed, fencing-wire, fertilizers, dairy cattle and utensils, and building materials, and in some cases the discharge of liabilities secured on stock or equipment. In the winter of 1931 when public works had closed down, farm employment was unobtainable, and the potato and *kumara* (sweet potato) crops failed, the tribes were obliged to ask for further assistance: and wages were subsidized from unemployment funds. By March 31st, 1934, however, as against a gross expenditure of some £159,000, there were receipts of some £33,000, chiefly through deductions from dairy factory cheques.

In other districts the scope for development schemes was less. In a sense the policy was the result of East Coast experience and an attempt to apply it to other areas. But under stress of droughts and crop failures, the earthquake of February 1931, unemployment and the collapse of farm prices the Maori landowners of the East Coast also applied for help, and by March 31st, 1934, there had been a gross expenditure of £141,000 in the district, of which—apart from unemployment subsidies—£31,000 had been recovered. There has been one scheme on the Upper Wanganui River, which has cost some £17,500 gross and £13,000 net: this attempt to turn indifferent

pastures, overstocked with poor cows and under-equipped, into modern dairy farms, appears to have been efficiently conducted by a Maori manager. In Taranaki most of the native land remaining is leased to Europeans, though there are some hundreds of Māori dairy-farmers working their individual farms and holding their own with their Pakeha neighbours. Here there have been no schemes; and among the scattered Maori population of the remaining parts of the North Island and of the South, little has been possible.

The difficulty of judging a land development policy comprising seventy-six separate schemes as a whole will be apparent. The expenditure to March 31st, 1934, was £822,000, or if the farming operations of the Maori Land Boards be included, £985,000: if unemployment subsidies and receipts from the lands be set against this, the net costs were £602,000 or £716,000 respectively. The total number benefiting by the schemes was about 8,700; but less than 1,300 were actually or prospectively farmers. The balance were either members of their families or had taken part as labourers in the areas not yet subdivided. The system of advances to individuals or families, first applied in North Auckland, has definitely justified itself. The development of compact areas, in the opinion of the recent Native Affairs Commission, has in some cases been a success; but in many cases has failed or runs serious risk of failure, at least in the sense that the cost of developing and maintaining the land for farming has been or may well be greater than the land can bear. It is true, of course, that the policy has had to be conducted under the pressure of a general economic crisis, so that it has not always been easy to differentiate land development on the original plan from the relief of unemployment. But that has not been the sole cause of these failures. On the financial and administrative side the policy soon began to cause uneasiness. The National Expenditure Commission in 1932 expressed

the view that too much discretionary power was concentrated in the Native Minister's hands and that the administrative machinery of the Native Department required overhaul; and some of the Minister's powers were thereafter transferred to a Native Land Settlement Board, on which other departments were represented. But the financial position of the schemes was not cleared up until a report of the Controller and Auditor-General towards the end of 1933 necessitated the appointment of a Royal Commission with wide terms of reference. The Commission found that the accounting system had never been adequate and had in the end broken down completely; that many schemes had been undertaken without sufficient inquiry as to whether the land was worth developing; and that the Minister's administrative methods had been seriously at fault. On another matter which had caused uneasiness among some of the tribes, the question whether the Minister's administration had been too much influenced by his tribal loyalty as a Ngatiporou, the Commission held that there were some grounds for the uneasiness.

The report of the Commission in October 1934 was followed by the resignation of Sir Apirana Ngata. The Prime Minister himself took over his portfolio and announced his intention of continuing the policy of native land development. The decision to continue the policy is clearly right. If public money has been wasted it is not the first waste in New Zealand history. Even from the financial standpoint much of the money has not been wasted, and as the Commission itself admitted, the policy of developing native lands must not be judged simply by the standards of accountancy or of administrative efficiency. Infinite patience and diplomacy have gone into the work, and much of it could never have been done at all but by leaders of Maori blood. If the administration of native affairs was unequal to this novel and difficult task, the blame cannot simply be laid upon the shoulders of one Maori leader. Clearly the right

methods of enlisting Maori co-operation in the conduct of Maori affairs have not yet been devised. It was precisely in its enlistment of Maori co-operation, in its calling forth of a new spirit and new hopes among the Maori people, that the real achievements of the policy were greatest. Whatever new financial and administrative safeguards are devised, the policy of entrusting responsibility to the Maori leaders themselves must be continued: to let the development scheme sink into a mere matter of departmental routine would not be a solution but an evasion of the fundamental problem.

The land development policy, important as it is, only touches part of the native problem. Its tendency is to place the more capable and progressive members of the tribes, as closely associated groups or as individuals, upon farms of their own. It must, however, be borne in mind that a considerable proportion of the natives—more especially of the older natives—are still living a shiftless, hand-to-mouth existence with one foot in the old Maori and one in the new European world. This is not simply a question of unemployment in the ordinary European sense, though, apart from the dovetailing of the land development schemes with unemployment relief, there were in September 1933 three thousand Maori on the schemes organized by the Unemployment Board. The question goes deeper. Those who make it a ground of accusation against the Maori that they are shiftless and disinclined to steady industry ignore the changes in the Maori's values and incentives, the weakening of the old communal discipline, the lower standard of comfort which the Maori possesses. The land development schemes have given renewed proof of the Maori's willingness to work for a common purpose which appeals to him. But it is only to be expected that some should be less adaptable than others. The Maori leaders themselves admit that many of their people are still ignorant and backward; and there is the problem of the landless native,



though on nothing like the South African scale. The only way of dealing with this problem seems to be, on the one hand, relief, on the other hand, continuous effort to raise the general level of well-being and efficiency among the Maori, so that the proportion unable to adjust themselves to modern economic life may steadily diminish. What that proportion is there is no means of telling.

One of the most hopeful means of raising the level of well-being and efficiency is, of course, education. The native primary schools are mainly controlled by the Education Department. At the end of 1933 there were 137 such schools, with a roll of 6,446 Maori children, as against 552 in mission schools: but there were also 8,700 Maori children attending ordinary public schools. Undoubtedly the influence of these schools has been important, and has helped to give the Maori a more confident outlook on life. The teachers have not confined themselves to educational matters in the narrower sense: they have taught hygiene and used their influence in favour of European medical aid in cases of illness. But there is one problem that they can hardly be said to have solved. All instruction is in the English language only, and whilst it is quite true that the Maori tongue is inadequate to express many conceptions of modern European society, it is necessarily the language in which the child thinks. Until he learns the rudiments of English, instruction has no meaning whatever; and until he masters it, there is an added element of difficulty in every other subject of instruction. Children in the higher standards, especially in the mixed schools where there is also the consciousness of racial difference, tend to lose interest and fall away. In the native schools, indeed, those who do reach the higher standards are often apt and enthusiastic scholars; but the effect might be still greater if the education were more definitely directed to bridging the gap between the cultures instead of overlaying one upon the other. The counting and

accurate placing of the flax strands for mat-weaving and basket-making, the Maori song and dance are, as Dr. Keesing says in *The Changing Maori*, far more vital experiences than the arithmetical tables and the half-comprehended songs of the schools. Captain Pitt-Rivers, visiting a Wanganui village in 1923, found that a boy of thirteen knew something of the Wars of the Roses but nothing of the fighting in his own district during the Maori Wars. There seems to be no room for doubt that teachers in native schools should be trained in the Maori language and in Maori culture if all the Maori, and not merely the more adaptable, are to receive an education suited to their needs.

Maori holders of proficiency certificates are entitled to junior free places at the ordinary secondary schools; but very few Maori parents send their children to such schools. There are, however, ten Maori secondary schools, carried on under Church auspices, with the aid of endowments: they had 302 secondary pupils in 1933—more than two hundred fewer, incidentally, than in 1930. The Education Department grants a number of scholarships to enable selected pupils to attend these schools, and the Inspectors report upon their work: and contributions are also made from the Maori Purposes Fund controlled by the Native Department. In recent years some at least of them have erected up-to-date buildings with equipment for work in science; and agriculture has been given an important part in their curriculum. Te Aute College, Hawke's Bay, and St. Stephen's School near Auckland also have a secondary course of the ordinary type leading to matriculation, and picked pupils are given scholarships to the University, though the number of these is necessarily few. At Te Aute College there is now a Maori master and Maori is a compulsory subject. The scope of the girls' schools is more limited: there is a small demand for nurses and teachers, but most girls are given a general education and some domestic training. The object of these secondary schools is

quite definitely to secure trained Maori leadership ; and Maori leaders are on the look out for promising material. The schools have played this rôle in the past : the Young Maori movement was the creation of old pupils of Te Aute College. There is no desire to make these leaders a race apart : on the contrary, many of them have gone and are encouraged to go back to their tribes. But they are the means by which it is hoped to bring the tribes into touch with modern ideas and lead the Maori people along the path of civilization.

In the last generation much has been done to improve the physical conditions of Maori life. The Maori Councils and the committees appointed in the villages under the Act of 1900 produced far-reaching changes. The old ill-ventilated reed-thatched Maori *whare* was replaced by more modern if less picturesque wooden buildings : sometimes Dr. Pomare, as Government Health Officer, burnt down whole villages by his own hand, with the assent of the communities concerned. Sanitation and water-supply were modernized. The *tangi* or mourning feast was regulated. In 1920 it was possible to apply the provisions of the new Public Health Act to the Maori people, though a special Division of Maori Hygiene, headed by a member of the Maori race, was created. Many of the Maori Councils still function, though their former right of collecting the dog-tax has been taken from them and they are hampered by lack of funds. Government health services to the Maori have been extended : there are two health inspectors and twenty-three nurses engaged among them and the operations of the school medical service have been extended to the native schools. The infant death-rate, although still far above the European level, has tended to fall in recent years, and a booklet of Sir Truby King on motherhood and the care of the new-born baby has been translated into Maori. The natural increase of the Maori is now decidedly greater than that of the

European population of New Zealand : a birth-rate of 41.20 and a death-rate of 17.09 in 1933 contrast strongly with the European birth-rate of 16.59 and death-rate of 7.98. There is no more talk of the "dying race."

The work of the Churches among some Maori tribes has now been continuous for more than a hundred years. The last census showed that about a third of the Maori are adherents of the Church of England, and Roman Catholicism, Mormonism and Methodism are also fairly strongly represented. The Maori racial consciousness has however found its own expression in religion. This was recognized in interesting fashion by the Church of England when in 1928 a Maori clergyman was appointed suffragan bishop of Aotea-roa, to co-ordinate the Maori work of the Church :<sup>1</sup> the Maori offered to provide the whole of his stipend and funds for his work over a period of years. More significant still has been the appearance from time to time of Maori "prophets," founding cults which are in effect a compromise between Christian forms and doctrines and traditional Maori beliefs and ways of living. The first and crudest of these was the so-called "Hauhau" cult which appeared in the later stages of the Maori wars : through the warrior-prophet Te Kooti it took shape, with modifications, in the Ringa-tu Church, which still has more than four thousand adherents in the more isolated districts. The line of prophets has however gradually become more idealistic ; and the most recent of them, Ratana, was primarily a faith-healer and laid no claim to prophetic powers. His influence was first felt about the end of the war, and it is said by one who has a deep knowledge of Maori mentality that his fundamental aim was to bind the Maori people together in the face of the troublous times in the world. He undoubtedly has a real understanding of the Maori : at one time, it is

<sup>1</sup> Aotea-roa—"the Long White Cloud"—is the Maori name for New Zealand.

said, he could count on the support of more than half Maoridom, and many Maori sold their land and goods and flocked to his pa near Wanganui. His constructive powers, however, seem to have been unequal to his personal appeal and even personally he has lost prestige. A Ratana Church has been organized, with many dignitaries and much symbolism, colour, and ceremonial; and the life of the township at its headquarters has also had to be planned. In the census of 1926 more than eleven thousand Maori adherents of the Church were enumerated; and Ratana undoubtedly has many devoted followers still. His pa has about 500 inhabitants, and some hundreds more visit it at festivals. His theology is based upon the Bible, but attaches special importance to the "ministry of the true angels"; and he seeks to free the Maori from the fear of black magic and similar superstitions. At first his followers refused to co-operate with organizations sponsored by the Government such as the Maori Councils; but this attitude has been abandoned, and there is an increasing willingness to supplement faith healing by European medicine. There is a Government Native School and a Methodist missionary at the pa. Some of the sect however still hold aloof from Pakeha life.

Quite apart from the work of Ratana, however, which now directly affects only a minority, there is an increasing tendency on the part of the Maori leaders to appeal to the racial pride of the Maori, an effort to weld a collection of tribes into a people conscious of its individuality and confident of its ability to adapt itself to the world around it. There has been a conscious effort to build upon the traditional foundations of Maori life; and a renewal of interest in traditional Maori culture. In 1923 a Board of Maori Ethnological Research was established by Act of Parliament to promote the study of the arts, languages, and customs of the Maori and of cognate Pacific races. Some of the most distinguished work

in this connection has been done by a half-caste Maori, Dr. P. H. Buck. In 1926 another board was established to promote more particularly the study and practice of Maori arts and crafts, and under its auspices a school of carving has been founded at Rotorua. A trophy has been presented by Lady Bledisloe for an annual competition among the tribes in dancing, oratory and historical recitation. Above all there has been an attempt to adapt the traditional tribal organization to the new outlook of the people. After the Maori wars the old chiefly families tended to retire "into an environment of resentment": new men versed in the knowledge and ways of the pakeha seemed to take their places. But nowadays the two elements seem to be blending. Individuals of the chiefly families—Sir Apirana Ngata himself is one—show themselves able not only by their personal characteristics but by their education to lead their people in the new way of life: leaders who have gained their position through experience and training in modern business life consult the hereditary leaders, whose appeal, whether or not they are leaders in economic matters, to the hearts and minds of the tribesmen is still great. The traditional ceremonies of Maori life—the *hui* or meeting and the burial *tangi*—provide opportunities for the chiefs and elders to exercise their influence. But whilst tribal cohesion is still strong and the tribe is the means of approach to the Maori, the leaders of the people are seeking with some success to soften the old asperities and to replace them by emulation in the enterprises of peace. Education of course tells in this direction. Sport, perhaps, tells still more, for the Maori is an ardent devotee of Rugby football and lawn tennis: and it is found to be a help not only in keeping the young man in the village but also in breaking down tribal barriers, since tournaments of sport become inter-tribal gatherings. The greatest triumph of the policy of inter-tribal co-operation, however, was the great gathering of more than five

thousand tribesmen in February 1934, when the Waitangi Treaty Estate, on which the "charter" of the Maori race was signed, was handed over to the Dominion by its donors, the Governor-General and Lady Bledisloe.

It is not of course the object of the Maori leaders to transform the Maori into a brown-skinned European. They know their people too well. Beneath their European clothes there beats a Maori heart. When, at the Waitangi ceremonies, the four Maori M.P.'s, headed by Sir Apirana Ngata himself, led Maori hakas (war-dances) in old Maori costume, it was not mere play-acting. Sir Apirana Ngata once publicly admitted that he preferred to sleep, Maori fashion, upon the floor. The Maori makes subtle distinctions between the institutions such as parliamentary representation and the Health Councils that have come to him by European legislation and the institutions that are his own; and he works even the new institutions in his own peculiar way. Yet he does not reject the material benefits and the moral ideas of European civilization. "Education," as Sir Apirana Ngata remarks, "has inculcated a desire for separate individual homes in which the educated young mother seeks to reproduce something of the social life of the pakeha—the flower-garden, the cottage piano, the gramophone or radio set, and the tennis court." The standards of comfort and the economic purposes of the individual Maori are changing. The younger people desire to work for themselves rather than to be the casual employees of others. They and their leaders wish to show that the civilization of the Maori can assimilate modern progressive ideas without losing its identity. The adaptation will not be easy, and it comes at a time when the whole Dominion is engaged in a difficult task of economic adjustment. But the Maori leaders are confident that their people, who in the past adapted their tropical ways of life to the colder climate of New Zealand, will eventually succeed in their exacting task.

Success depends mainly upon the Maori themselves. The ideas behind the present native policy of New Zealand are theirs. But it would be generally admitted that the success of the policy depends also upon the good will of the pakeha of New Zealand. Quite apart from the fact that the pakeha is dominant by sheer force of numbers and holds the power of the purse, the Maori cannot at present do without the scientific knowledge and the business capacity of the pakeha. There is no doubt of the general good will of New Zealanders towards the Maori, and of their deference to Maori sentiment. Relations may vary according to circumstances in the Maori districts: where the settler "came as a policeman" there has never been quite the same confidence on the part of the Maori, and there have sometimes been other reasons for friction. But it is significant that in a country distinguished on the whole for the liberality of its native policy, the Native Minister has nearly always come from a district with a strong Maori element in the population. From 1928 to 1934, as already mentioned, a Maori was Native Minister and had charge—in more than a merely formal sense—of a department mainly staffed with Europeans. This experiment in co-operation is significant and hopeful, recent events notwithstanding.

There is no colour bar in New Zealand in the South African or American sense.<sup>1</sup> Many old settler families, indeed, are proud of their admixture of Maori blood; and intermarriage has continued. Though it is said to be decreasing, there can be no doubt that, through intermarriage of half-caste and Maori, the proportion of pure-blooded Maori in the population will diminish. The half-castes, of whom Sir James Carroll was an outstanding example, have played an important part as mediators between the two cultures: Carroll was the most trusted Maori leader of his day, but he represented a European electorate. It would

<sup>1</sup> At a football match after the war I heard a group of returned soldiers supporting a team of Maori soldiers against their own provincial team.



be going too far to say that there is no race discrimination. "The educated Maori," says Dr. Keesing, "knows well how many avenues of activity in pakeha society are practically closed to him because of racial distinctions." Maori society and pakeha society are not one society, but two, though there are many go-betweens. Some observers think that as the new Maori policy develops, as the Maori more effectively asserts his claim to be allowed to stand by himself, the two societies may grow farther apart. It may be so : but the democratic feeling for equality, the long tradition of mutual good will and respect will tell in favour of co-operation. The two races must needs live side by side in the country which is their common home.

There is, however, it must be admitted, one factor in eventual success in which New Zealand is at present deficient. There is widely diffused good will : what is less widely diffused is knowledge. There are circumstances, no doubt, which account for this ; but it is nevertheless something of a reproach. There seems to be more interest in the Maori of the past than in the Maori of the present. In the four University Colleges there is only one lectureship in anthropology and that is in Dunedin, the centre most remote from Maori life. It is surprising that there is not in Auckland, the place marked out by nature for the purpose, an institution in which workers among the Maori may be trained and the principles of modern anthropology applied not only to the history of Maori culture but to the practical problems of Maori life. New Zealand takes some pride in the fact that in this imperfect world the occupation of its land by settlers of British stock has been effected without doing irreparable damage to the Maori race; and that that race is treated with respect and, in intention at least, with generosity. But it is singularly ignorant of the means by which these adjustments have been made and of the principles on which may be based a more enduring success.

## CHAPTER XV

### NEW ZEALAND IN IMPERIAL AND WORLD AFFAIRS

It is impossible to deny that New Zealand has developed a distinct national individuality; but this nationality has not found expression to the same extent as in some other Dominions in a demand for new powers and responsibilities. Before the war New Zealand statesmen were prominent in the advocacy of Imperial federation; and at the Imperial Conferences of 1907 and 1911 Ward proposed the formation of an Imperial Council, first in the form of an advisory Council of Governments, later in the more ambitious but less practical form of a council of representatives bearing some resemblance to a Federal Parliament. The consultation of the Dominions during the war was more acceptable to New Zealand opinion than the development of "Dominion status" afterwards. Massey, when the question was raised in the House in 1919, seemed hardly aware of the implications of separate League membership, which, with the signature of the Peace Treaty, had been conferred on New Zealand. "The Dominions," he remarked, "have ceased to be dependencies of the Empire. They have become partners—partners with all the duties, responsibilities and privileges that belong to a partnership." Before leaving for the Imperial Conference of 1921 he put forward a tentative and rather ill-digested scheme for an Imperial Executive "to do whatever may be necessary in connection with foreign affairs such as the making of treaties or the declaration of war or the making of peace." It may be that he had in mind a continuance of the Imperial War Cabinet: but the conditions

which had brought into being that remarkable, if inappropriately named, constitutional expedient no longer existed. Massey found himself as it were on the defensive against demands from the other Dominions for increased powers in external affairs. They claimed the right to a voice not only in councils of the Empire but in the councils of the world.

For a time the issue of the struggle appeared doubtful. The United States did not invite the Dominions separately to the Washington Naval Conference in 1921, but a British Empire Delegation was formed. This procedure, which gave offence to at least one Dominion, harmonized well with Massey's conception of partnership. The New Zealand delegate, a judge of the Supreme Court who had earlier been one of the legal advisers of the Government, argued with great ability in his report to Parliament that in law and in fact the constitutional relations of the various parts of the British Empire to one another remained exactly as they were before the signing of the Covenant except, by express agreement, for the special purposes of the League of Nations. What had happened was that the Dominions had been given a voice in the management of the international relations of the British Empire as a single undivided unity. The episode of the Chanak telegram in September 1922 showed that neither Massey nor the country gave a merely formal interpretation to the obligations of partnership: although it came as a complete surprise, Massey at once promised unconditional support and within four days twelve thousand men answered a call that had only hypothetically been made. In 1923 Massey's Attorney-General and senior colleague "could not remember any instance in which we had been consulted in such matters where the answer had not been in stereotyped form: 'New Zealand is content to be bound by the determination of His Majesty's Government in London'." Nevertheless the resistance of New Zealand to the constitutional demands of the other Dominions was

unsuccessful, and it was not pushed to extremes. Massey's successor at the Imperial Conference of 1926 agreed to the Balfour Report, but only in order to preserve unanimity. For the same reason, it would appear, New Zealand did not take advantage of the clause in the Locarno Treaty which suggested that it be ratified by Dominion Parliaments if they were to be expressly bound: her abstinence by no means signified that she did not wish to incur its obligations.

Certain important signs of New Zealand's unwillingness to keep pace with the constitutional advance of the other Dominions do, however, remain on record. She has not changed the status of the Governor-General, who still remains the channel of communication between the Imperial Government and the Government of the Dominion. She secured exemption from the main clauses of the Statute of Westminster unless and until her Parliament should expressly adopt the Statute; and there is no suggestion that it should be adopted. Thus her powers of extra-territorial legislation and of repealing Imperial Acts extending to the Dominion remain restricted. She does not dream of abandoning the Privy Council as the court of ultimate appeal, partly because of the practical advantages of uniformity of interpretation in such matters as the construction of contracts, partly because her lawyers have great respect for the decisions of such an eminent and impartial tribunal, but partly no doubt because she is loth to weaken any link of Empire. There is no suggestion in any quarter that she should send diplomatic representatives to foreign countries: her contacts with them are so few that the expense could hardly be justified, but in any case she is opposed to the idea on principle.

New Zealand has not, in fact, approached Imperial problems from the side of status. Many considerations have led her to take relatively little interest in these issues. On the other hand, she is keenly conscious of her dependence upon Imperial pro-

tection. There could have been no British colony in New Zealand had it not been for the supremacy of the British Empire at sea. Defence has sometimes given New Zealand Governments anxious moments. In December 1870 Ministers actually thought that there were only two courses open—"either that the Imperial Government should supply adequate defence, which does not now exist; or sanction an arrangement with foreign powers that in the event of war the colony should be treated as neutral." In 1885 there was a Russian war scare and Ministers pressed for more adequate defence in the Pacific and offered to bear part of the cost. On the whole the consciousness of dependence has been accompanied by a decreasing tendency to cling to Britain's skirts and an increasing willingness to assume responsibility, but it is well recognized that the dependence still exists.

When the German challenge to British power was realized, New Zealand, as has been shown in an earlier chapter, adopted compulsory military training, contributed a battle-cruiser to the British Navy and took steps to form a "Navy" of her own. The work of such organizations as the National Defence League and the Navy League showed that these measures had strong support from local opinion; and the final proof that New Zealand viewed the obligations of defence in no narrow nationalistic light was given by the men who fought at Gallipoli, in France and Flanders, and in Palestine. After the war there was a certain reaction. Danger once again became remote. The Farmers' Union opposed compulsory military training; and in 1920 the Government agreed to reduce the period of liability to training. Even with this modification it was hardly popular and in 1930 the compulsory clauses of the Defence Act were suspended by administrative action. It is difficult to make a democracy of Anglo-Saxon stock accept military compulsion except in time of imminent danger, and in any case the training given to the

rank and file as distinct from the officers and N.C.O.'s in New Zealand was not of much military value. The voluntary training now again in force, with a permanent force of 87 officers and 339 other ranks to supervise the training and to provide the nucleus of a military organization, is better attuned both to the strength and to the weaknesses of the New Zealand national character. There are still some 700 officers and 7,700 other ranks in the Territorial Force ; some 350 officers and 16,000 other ranks in the secondary school cadets, which without being in name Officers' Training Corps act to some extent as such ; and about 150 officers and 5,000 other ranks in Defence Rifle Clubs. Measures for the improvement of the coast defences are now in train. The " New Zealand Division of the Royal Navy " has been maintained, though it is doubtful how far it has realized the anticipations of its founder and developed a " sea-sense " in the New Zealand people. It now consists of two cruisers—now of the D class of 4,850 tons but shortly to be of the *Leander* class of 7,000 tons—a non-seagoing training ship, a trawler, and a small oil-tanker : there are also two sloops maintained at the expense of the Imperial Government, chiefly for patrolling the British islands in the South Pacific. The officers are lent by the Royal Navy ; but about half the petty officers and men have been recruited and have received their preliminary training in New Zealand. There are divisions of the Royal Naval Reserve and Royal Naval Volunteer Reserve—both of course recruited in New Zealand. New Zealand's naval base is at Auckland ; but a contribution of £1,000,000, payable in instalments, is being made to the construction of the great base at Singapore. The New Zealand Air Forces, Permanent and Territorial, are maintained as an integral part of the military forces. The permanent establishment of 9 officers and 82 other ranks has been declared by the General Officer Commanding to be barely sufficient for the maintenance of its aerodromes near Auckland and

Christchurch and for the duties cast upon it in connection with civil aviation, and to be quite incapable of effective action in time of war ; but it is now proposed to purchase two flights of torpedo-carrying and one of reconnaissance aircraft and gradually to modernize the force.

These defences would be obviously insufficient for a small and isolated country were it not that New Zealand forms part of a great Empire. Defence policy must nevertheless be one of the most difficult problems facing a New Zealand Ministry. For the country has grown accustomed to security. Its whole financial and economic policy has been based upon that assumption. There was a tendency in some quarters to regard even its effort during the war as a generous recognition of Imperial obligations and to underestimate the danger to the security of the country itself with its vulnerable arteries of trade. The path of duty and the path of self-interest have sometimes seemed to diverge. Governments since the war have frequently admitted that it is unfair to throw almost the whole burden of maintaining the security of the Empire and its trade routes upon Great Britain ; but it has not been easy, with a long list of budgetary commitments, to find room for the application of this principle. It has been only too easy to protest, for example on the temporary stoppage of the Singapore base in 1924, when the protest has at bottom been a demand for the expenditure of other people's money. It has been only too easy for critics within the country to raise the cry of militarism when the real question was not of an increase but of a readjustment of defence expenditure. No one can suggest that the New Zealanders are by nature a militaristic people or that it would be a service to peace and to the progress of the Empire if they became so ; but it is on the whole creditable to them that they have resisted the temptation to make the hopes of disarmament a cloak for political irresponsibility. Now that dis-

armament has, for the present at least, receded into the distance, the increase of defence expenditure from some £700,000 to a little less than £1,000,000 is not merely a matter of common prudence but the only course open to a self-respecting national Government. The responsibilities of Great Britain are so many that it is impossible to be sure that she could, in a time of grave crisis, fulfil every one. Should such a crisis come—and who can be so bold as to say it will not come?—it will be a case for mutual support. The support, it is to be hoped, in any war in which Great Britain and her Dominions might have the ill hap to be involved, would come not from one another only but from friendly nations and fellow-members of the League; but it may safely be said that it would be Imperial obligations and interests of her own, rather than League obligations, which would weigh with New Zealand.

Yet the felt need for Imperial support in her isolated position in the Pacific is in the background rather than in the foreground of New Zealand's Imperial relationships. The issues upon which she has developed the most definite policy are the economic issues. The relation between New Zealand and Great Britain in everyday affairs appears most commonly as a relation of producer and consumer. Great Britain has always been, in spite of the absence until lately of any preferential tariff, by far the most important market for New Zealand's exports. The percentage shipped to Great Britain for some years fell, though very gradually; but with the raising of trade barriers in the United States, Canada and certain European countries, it increased from about 73 in 1929 to 88 in 1931 and was 86 in 1933. New Zealand has taken some pleasure in the name of "the Empire's outlying farm." Great Britain in her turn has been, though not to the same extent, the chief source of New Zealand's imports. In this case, in spite of the preference granted in 1903 and extended



in 1907 and 1921, there has been a definite downward trend in the percentage. It was 70 in the 'eighties and 'nineties : it was 60 in the years before the war, it has for the past few years been more or less stable at a little less than 50. There can be no doubt that the preference has benefited Great Britain, though the benefit has not always been as great as New Zealand is apt to think. The difference in freights to be paid by British and American goods has sometimes, it is said, been sufficient to make the preference nugatory. Nor does the preference put British goods on equal terms with New Zealand-made goods : it has always been a preference as against the foreigner with a reservation of the right to protect competitive products in New Zealand, whereas the free market in Great Britain put New Zealand produce on a level not only with foreign but also with home competitors. Undoubtedly, however, there is a strong sentiment of good will behind the preference in New Zealand. The local manufacturers sometimes complain that sentiment tells in favour of British even as against New Zealand goods, though the real grievance probably is the absence of a strong sentiment in favour of the latter.

New Zealand has always hoped that her preferential treatment of British goods would receive a return in kind. The high value per head of her trade with Great Britain—about £8 for imports and £22 for exports even after the collapse of prices in 1932—has been repeated almost *ad nauseam* by her Ministers in discussions of Imperial economic policy. The factor of preference has often been given too much weight : the governing factor has rather been the expansion of exports, due to the free market in Great Britain and, indirectly, to the large investment of British capital in land development. This, incidentally, has been aided throughout the twentieth century by the trustee status enjoyed by New Zealand Government securities under the Colonial Stock Act—an economic concession which has been

taken too much for granted by public opinion in New Zealand. But the real motive inspiring New Zealand Ministers in asking for a reciprocal preference has undoubtedly been anxiety to secure the market on which New Zealand's highly developed but rather precarious export economy depends. Any tendency to press for the concession as a matter of right has evoked criticism from the New Zealand Press. When Great Britain, in the Ottawa agreements, at last bound herself to reciprocal preference, the instinct to refrain from undue pressure for preference, the feeling that these matters were perhaps best left to voluntary action on both sides were shown to have had some justification. The conversion of public opinion in Great Britain was not really a political conversion from free trade to Imperial preference but an economic conversion from free trade to protection and controlled trade. Protection was only one of the alternative means of escape from *laissez faire*: and the other alternative of quotas was not calculated to allay the increasing anxiety about the marketing of New Zealand's expanding production. The political sentiment in favour of Imperial preference was strong enough to modify but not strong enough to stop the application of the new policy, just as it had modified rather than stopped the application of protection in New Zealand. There was an increasing tendency on the part of British Ministers to point to the value of certain privileges such as the preferential treatment of Dominion loans which the Dominions had been apt to leave out of the reckoning. Yet the desire for Imperial unity, which had made New Zealand a reluctant but unprotesting participant in the development of Dominion status, made the British Government unwilling to give individual Dominions differential treatment in the new economic arrangements. The undoubted fact that the preservation of Imperial unity sometimes demands sacrifices by individual members of the Empire-Commonwealth received an unexpected application.

But on the whole New Zealand has been creditably free from the tendency to treat even the economic issues of Imperial policy as matters for hard bargaining.

If sentiment has had weight in trade matters, it has also affected migration policy. Here also the principle of "New Zealand for the New Zealanders" has been a factor, but not a predominant factor, in shaping policy. In 1891, with the coming into power of a Government that relied upon working-class votes, the subsidies to immigration were abolished; but voluntary unsubsidized immigration on a small scale continued. Early in the present century public money was again voted in part payment of the passages of approved settlers, and the total number of immigrants—many coming unassisted—was from seven to nine thousand a year. After the war Massey, both on Imperial and on national grounds, declared himself in favour of a vigorous immigration policy. The principal item of the policy as it actually developed was the nomination system whereby assistance was given to farmers, farm workers, and domestic servants who could secure a guarantee of employment on arrival in New Zealand. Nominated and unassisted immigrants together amounted for some years to about ten thousand annually. The scope for immigration was in reality limited. Though there was no reason to believe that New Zealand had reached saturation point, she had not the vast empty lands of Canada and Australia. Her unsettled lands were remote and not of the best quality and required picked men possessing some capital and also some farming experience. The nominated immigrants met a demand, but there was no real possibility that New Zealand could take much part in big schemes for "redistributing the Empire's population." Labour was hostile to assisted immigration. Early in 1927, when unemployment was beginning to cause anxiety, the assisted passage scheme was virtually suspended. The suspension was not however due to

a prejudice against immigration as such : it was a recognition of economic facts. New Zealand has shown a real willingness to give an opening to British immigrants as long as she reasonably could. On the other hand ever since the war persons not of British or Irish birth or parentage have only been admitted under special permit, and these have probably been granted very sparingly. Public opinion has not only shown itself determined to keep New Zealand a preserve for men of British stock : it has sometimes been too optimistic as to the prospects it can offer to immigrants from the Mother Country.

The reasons for the line that New Zealand has taken upon Imperial matters generally, whether matters of migration, of trade, of defence or of constitutional advance are to be found in her geographical position and in her history. From the geographical and climatic point of view New Zealand's position and Great Britain's have many similarities. The same food can be eaten ; the same clothing can be worn ; the same birds and animals can be successfully acclimatized ; the same games can be played. The conservatism which makes most men and women transplant what they can to a new environment has helped in these circumstances to develop similar ways of life. If the New Zealander, even the New Zealander born, thinks and speaks of Great Britain as " home " it is very largely because he knows Great Britain to be the home of his own way of living. If we see eye to eye so much with Great Britain in Imperial matters, it is partly because we are not only the youngest of the daughter countries but also the daughter that takes most after her mother. Yet a word of caution is necessary : as always in such cases, first acquaintance sees the family resemblance, but longer and fuller knowledge brings out the traits of difference. New Zealand's immigrants have not been drawn in equal proportions from all sections of English society : the aristocrat, the country gentleman, the artist or " intellectual " have not

wished, the sections living more or less permanently below the poverty line have not been able to emigrate, and these elements in English society give it not a little of its special character. With a less complicated structure in the beginning and little time or reason for developing new complexities, New Zealand has tended to reproduce the way of life not so much of English (or Scottish) society as of one part of that society—the less well to do and the less “intellectual” sections of the middle classes, the better paid and better housed sections of the working classes. In its more prosperous days New Zealand has not been, as some observers thought it, the paradise of the working man but rather the paradise of the *petit bourgeois*. And the New Zealander, in spite of his affection for the people and the institutions of Great Britain, is too much apt to judge her policy by the standards of a simpler, more homogeneous, more democratic, more isolated society. Nevertheless in some ways the contrasts in social life may diminish as Great Britain becomes more democratic socially and New Zealand loses some of the crudeness of a pioneering community.

It is important, in seeking to understand her Imperial policy, to remember that New Zealand is still young. Even from 1901 to 1932 migration accounted for 29 per cent. of the increase of population; and not until 1925 did a New Zealander born become Prime Minister. The proportion of the people still connected with Great Britain by ties of birth or close personal relationship must be very considerable and far greater than in any other Dominion. A national type has developed in New Zealand, but it has not developed in isolation: it has been continuously in contact, through immigration, with the stock from which it originally sprang. The ties with Great Britain have not been merely political or economic or cultural: they have also, and to an unusual extent, been personal.

New Zealand has also been fortunate in the history

of her relations with Great Britain. Just towards the close of the Maori Wars there appeared a possibility that the coldness of the Imperial Government, whose tone was more at fault than their policy, might set the dawning national feeling in opposition to the Imperial idea : but with the end of the emergency and a more sympathetic outlook in the Colonial Office the passing mood of resentment soon faded from memory. The last quarter of the nineteenth century, the period in which New Zealand was finding its feet politically and economically, was marked by the growth of Imperialism in Great Britain. New Zealand took a similar attitude to that of the Australian colonies on the questions of Chinese immigration and Imperial policy in the Pacific and there was a certain amount of friction with the Imperial Government in consequence ; but the differences never became issues of first-rate national importance. Seddon, the standard-bearer of New Zealand democracy, went home to the Colonial Conference of 1897 to find England in an Imperialist mood which suited him very well. He liked being lionized ; he enjoyed the dinners and the receptions ; the Lancashire schoolmaster's son felt that he had " arrived." He was, besides, too shrewd a man not to see how much the Imperial connection meant to a small and isolated country like New Zealand. Various New Zealand statesmen, notably Vogel, had put forward plans of Imperial federation. Seddon realized that federation, however popular in New Zealand, was not practical politics for the time being ; but he took the lead in offering a contingent for service in the Boer War, in suggesting the maintenance of an Imperial Reserve Force in each of the Dominions, and in advocating an extension of trade preferences. He made Imperialism a part of the New Zealand democratic tradition. The business man's Imperialism represented by Ward and the robust loyalism of the Ulster farmer typified by Massey had little to do but carry on the tradition. The New

Zealand born Prime Ministers in their turn adhered to it, and not simply for tradition's sake, since the sympathy and generosity of the Mother Country and the sturdy loyalty of the daughter country have inspired a deep feeling of mutual confidence. A Prime Minister who sets out for an Imperial Conference, as in 1930, with "no complaints and no demands," is safe in feeling that he will be welcome ; and in so speaking he spoke not for himself only but for New Zealand.

There has been no reason to make Imperial relations a party issue in New Zealand. The Labour Party has on occasion—for instance during the Chanak episode, when it maintained that the question should be submitted to Parliament—criticized the policy of the Government on Imperial issues ; and in the earlier post-war years it was more sympathetic than Massey to the aspirations of the more advanced Dominions. But events tended to diminish the importance of this difference of opinion ; and in 1924, and again in 1929-31, Labour found itself on such issues as the Singapore base in the new rôle of champion of the Imperial Government. Though in New Zealand, as in other counties, Labour denunciations of Imperialism are sometimes heard, the Labour Party is certainly not hostile to the British Empire. A Labour Government might be more protectionist ; it might take a less conservative line on some questions of foreign affairs ; but its attitude on Imperial matters would not be very different, at bottom, from that of other Governments.

New Zealand is not "loyal to the Empire" because of any peculiar national virtue. Her stock is wholly British ; her ways of life are British ; the tone of her society is conservative ; her short history has been one of close and friendly relationship with Great Britain. The spirit of criticism which in other Dominions occasionally leads politicians and intellectuals to put up Imperialist ninepins for the sake of knocking them down has had no grievances, substantial

or sentimental, on which to feed. The general feeling of loyalty to the Imperial idea finds vent in an enthusiastic attachment to the Imperial Crown. The demonstrations evoked by the visits of the Prince of Wales and other members of the Royal Family have been entirely spontaneous and almost overpoweringly cordial. Hardly less remarkable, because the occasions are less exceptional, has been the popular esteem for the succession of distinguished men who have represented the King in recent years as Governors-General.

It may even be wondered whether New Zealand does not push her loyalism too far. In recent years she has not merely been content to let it grow: she has sought to cultivate it scientifically. Whether applications of fertilizer—such as the saluting of the flag every morning in the schools and the requirement of an oath of allegiance from all teachers—really produce a better crop of ideas is doubtful. These measures are undoubtedly honestly meant and have wide support in the country; and as they do at least teach young New Zealanders to look outside their own country they cannot simply be dismissed as one more instance of modern worship of the State. But on independent minds, which every country needs and isolated New Zealand finds in rather short supply, the effect may be the opposite of what is intended. In the University Colleges, where formerly no interest was taken in politics, a small but not altogether negligible section has begun recently to toy with extreme political ideas, in spite of ten years' compulsory loyalism in the schools.

If the Government has represented faithfully enough New Zealand's attitude in Imperial affairs, it is to some extent open to the charge of obscurantism. Popular sympathy is tinged with apathy, and Governments have not done all they might to remove the apathy and reinforce the sympathy with knowledge. Massey made little attempt before his departure for the Imperial Conferences of 1921 and 1923



to enlighten the public on the questions likely to come before it. "Members generally," the New Zealand correspondents of *The Round Table* remarked, "take the smallest possible interest in Imperial affairs and policy, while Ministers prefer to maintain a discreet silence instead of encouraging and guiding discussion." In 1925, when admittedly there was the further complication of Massey's declining health, a similar criticism was made in the matter of the Geneva protocol: "the Dominion first learned how it stood on the Protocol from the cabled reports of Sir A. Chamberlain's address to the Council of the League of Nations at Geneva which appeared in our newspapers on March 13th and 14th." It can hardly be said that the best use is made of the information available to the Government on Imperial and foreign affairs. The confidential information which is supplied cannot of course be published: but there ought to be information, such for example as is supplied in answers to questions and debates in the Imperial Parliament and in communications to the British Press, which could be used to enlighten public opinion in New Zealand. As it is, parliamentary discussion when it occurs is apt to be confined to reviewing the work of Imperial Conferences, when it is often too late to form opinion about questions actually current; and on current Imperial and foreign affairs public opinion has to look to the Press and not to the Government for enlightenment.

The relation with Great Britain is by far the most important of New Zealand's external contacts, but it is not the only one. Federation with Australia was definitely rejected in 1900; and, although as late as 1912 an Australian Prime Minister predicted that New Zealand would come in within twenty years, he spoke in ignorance of New Zealand feeling. But New Zealand cannot—and does not wish to—escape from the fact that Australia is her nearest neighbour. She is quick to resent any suggestion that she is a mere appendix to Australia and dislikes the geographical

term "Australasia" on this account. There is nevertheless a common outlook on many questions of Imperial and world importance, the difference being a matter of degree rather than of kind: for the outlook of New Zealand, with its smaller towns and more temperate climate, is and is likely to remain more phlegmatic, less stridently nationalistic. Englishmen probably tend to underrate the amount of mutual understanding that exists in spite of such differences. Trade is carried on on a fairly large scale: though the imports from Australia are less than a fourth of the imports from Great Britain, it stands third to Great Britain and the United States; though the exports to Australia are less than a twentieth of the exports to Great Britain it actually stands second according to present figures. The imports consist very largely of a variety of manufactured goods, though hardwood timber and from time to time wheat are also important. Softwood timber is the principal export, hides and skins second, but it is largely a matter of a wide diversity but small quantity. There have been reciprocity agreements from time to time, but trade has proceeded with some jolting; it is not simply a question of Australia's high tariff policy, for both economies are largely complementary to that of Great Britain and competitive with one another. The connection, however, is by no means confined to trade alone. There is a tendency to co-operate in defence. There is tourist traffic in both directions. There are daily cables of Australian news in the Press. Many scientific and cultural bodies operate in both countries; and there is frequent intercourse in sport. Both nations are in fact conscious of their geographical and family relationship.

Geography also brings New Zealand into contact with the island groups that bestrew the seaways of the Pacific. Bishop Selwyn visited them on missionary voyages. Grey, who dreamed of a Pacific island Empire under the British Crown, protested against

the French occupation of New Caledonia in 1853. Vogel, Grey, and Stout in the 'seventies and 'eighties urged the adoption of a forward policy in the island groups. Particular interest was taken in Fiji, Samoa, Tonga, the Cook Islands, and the New Hebrides—for reasons which a glance at the map will show. Fiji passed under British control in 1874; but the interests of other Powers in the other groups caused uneasiness in New Zealand, coming to a head when in 1899 Great Britain agreed to renounce her rights in Samoa in favour of Germany and the United States. Seddon characteristically suggested that British prestige might be restored by bringing the Cook group, the Fiji, the Friendly and the Society islands within the boundaries of New Zealand.<sup>1</sup> He obtained the first and smallest of these groups, where in fact New Zealand had paid the Resident since British annexation in 1890. The Cook Islands and Niue were made New Zealand territory in June 1901. The administration has proceeded without serious trouble, through the machinery of Island Councils, composed of officials and native chiefs, and attention has concentrated on public health, education and economic development. For many years the Maori member of the New Zealand ministry was Minister for the Cook Islands. The population numbers rather more than eleven thousand in the Cook Islands, rather less than four thousand in Niue. The chief products are oranges, bananas, tomatoes and copra, and New Zealand is the chief market, except for copra, and the chief source of supply for imported goods. The relationship of New Zealand and these dependencies appears to be a happy one.

The acquisition of the Cook Islands did not satisfy New Zealand's ambitions, which indeed received another jar when the New Hebrides, in which the

<sup>1</sup> The Friendly Islands are more commonly known by the name of the chief of them, Tonga, the Society Islands, similarly, as Tahiti. The latter group had become a French protectorate in 1842 and had been annexed in 1880.

Presbyterian Church had long maintained a mission, became an Anglo-French condominium in 1906. The outbreak of war with Germany and the occupation of Samoa at the request of Great Britain provided a new opportunity for a move forward. Western Samoa was put under New Zealand military administration. At the Peace Conference New Zealand's representatives demanded its annexation to the British Empire and ultimately received a mandate to administer it, subject to conditions, as an integral portion of the Dominion. New Zealand now had entrusted to it a task which, not so much on account of the size of the islands as on account of their history and the peculiar characteristics of their population, demanded that it should give of its best.

Western Samoa consists of two large islands, Savaii and Upolu—the smaller but more populous and the site of the capital, Apia—and several small ones, inhabited by a few hundred Europeans, a few hundred introduced Chinese and Melanesians, a rather more numerous part-Samoan population, and an overwhelming majority of Samoans, a Polynesian race with a penchant for ceremonial and for political faction.<sup>1</sup> Long before the Germans came to Samoa the missionary societies—the London Missionary Society in particular—had established a strong influence over the Samoans; and the joint intervention of Great Britain, Germany and the United States in 1889 prevented the further extension of European plantations when they covered about one-sixth of the land of Samoa. Thus the Germans did not begin with a clean slate; but their fourteen years' administration saw considerable economic progress, with the aid of good prices and indentured plantation labour, and some attempt to combine firm and absolute government with a consultation of the wishes and a respect for the customs of the Samoans.

<sup>1</sup> The estimated population at March 31st, 1934, was 48,486 natives, 3,713 non-natives.

New Zealand had little time for thought or experiment in Samoa during the war. When it was over and military rule gave way to ordinary civil administration in 1920 the chief problem seemed to be the economic condition of the plantations. The Chinese labourers had been sent back to China as their indentures expired: the German residents were sent back to Germany. Many of the plantations were returning to a state of nature, and pests were threatening the native areas also. The planters were not even able to drown their sorrows, for the New Zealand Government, in the natives' interests, prohibited alcoholic liquor. The planting community, when a parliamentary deputation visited the islands, concentrated on a demand for indentured labour. In the face of a good deal of opposition the New Zealand Government conceded the point, and by 1922 some 1,500 labourers, recruited with care through the good offices of the Government of Hong-Kong and employed under improved conditions, had been introduced into Samoa.<sup>1</sup> New Zealand was anxious to show that the special consideration for the native population dictated by the terms of the mandate would not involve lack of consideration for the non-native population. In 1923 the non-official minority in the Legislative Council was made elective, and the European population were invited to serve on advisory committees on various matters. Economic conditions had improved; and the European community seemed to be in large measure appeased. At the same time a forward policy for the natives' benefit had been devised, and wide powers were devolved upon the *Fono* or council of *Faipules*, the advisory body of chiefs which had been created by the Germans, and new functions were later given to the district and village institutions also. New Zealand seemed to be qualifying as the model mandatory power.

<sup>1</sup> Indenture ceased in 1923. The system of recruitment has since been one of three year contracts, but with the right to change employers, and repatriation to China after six years at most. The number of Chinese is only 636.

Of the new policies the most strikingly successful was the health policy. The Samoans were persuaded to agree to a "medical tax" of £1 a year on all adult males; and with the aid of this and of a subsidy from the New Zealand Government medical attention was made free. The endemic diseases of hookworm and yaws were, if not actually eliminated, brought under control with remarkable success: and these cures encouraged preventive work such as sanitary improvements in the villages, child welfare work, and the training of a native medical staff. In education no such spectacular results were possible, but a *modus vivendi* was reached with the missions, which were already active in this field. A certain measure of Government control was introduced at the second stage of education, taking the children on to Standard II; and above that stage the Government introduced boarding schools, though the mission schools, which were used largely to train their pastors and catechists, were not done away with. An attempt was made to relate education to the native environment and traditions, concentrating on agriculture, the manual and domestic arts, and hygiene, and—in contrast to the native school system in New Zealand—providing instruction both in English and in the vernacular. Much attention was also given to economic development—to the encouragement of a more individualized form of land tenure, to the improvement of water supply and transport and to the stimulation of economic efficiency and production for export.

From 1924 to 1926 everything seemed to be going smoothly, and then a storm came up suddenly in an apparently clear sky. The Government, in an attempt to get a better price for native copra, itself undertook sales on consignment, eliminating the traders. The traders, bitterly resenting this interference with their means of livelihood, carried the war into the Government's territory. They, and particularly the ablest and wealthiest of them, O. F.

Nelson, a Swedish-Samoan, knew the Samoan community more intimately than the Administrator and his New Zealand officials. They knew, as the administration unfortunately did not, what was going on behind the façade of acquiescence in the recent reforms. The Fono of Faipules, and the local authorities under them, had more power and responsibility than they had knowledge or experience. Rather uneasily placed between Government and people and anxious to please both, they diluted the policy considerably before it reached the people. They were for the most part "chiefs," who were confined by Samoan custom to ceremonial leadership: the effective authority under the Samoan system had passed in most places to the *tulafale* or "orators." Thus the Government, in treating their Samoan officials as if they were trained civil servants capable of defined functions, had been doubly wrong: they had not allowed sufficiently for the fact that these officials were still Samoans, living in their old native world and subject to its traditional influences, and they had often (following in the footsteps of the Germans before them) chosen the wrong men in any case. The devolution of responsibility had moreover left little room for the direct personal approach to Government which the native appreciated, and the Government was almost isolated from the people. Not only, then, did the Samoans feel that reforms were being pressed upon them too fast; but the Government was unable to estimate the strength of this feeling.<sup>1</sup>

In October 1926 the dissatisfied leaders of the trading community convened a meeting in Apia at which a committee was appointed to voice the grievances of both races. It was complained that the Government chose the wrong men as Faipules, that time-honoured customs were being abolished, that the medical tax was oppressive. The line consistently taken by the Administrator, by the

<sup>1</sup> For this analysis of Samoan discontent, and indeed for the whole of these pages on Samoa, I am greatly indebted to Dr. F. M. Keesing's book *Modern Samoa*.

Minister of External Affairs on a visit to Samoa, and by a Royal Commission composed of the Chief Justice of New Zealand and a Judge of the Native Land Court, was that the Samoan agitation had been stirred up by the traders for their own selfish ends. Whether this was true or not, it could not be denied that its organization was a remarkably successful piece of work. The only measure which might have checked it, firm repression in the early stages, was not taken, partly it may be because the Administrator, although a military man, was patient and forbearing to excess, but partly because the New Zealand Government was uncertain of its position *vis à vis* the League of Nations and did not give the Administrator the means of enforcing the law. Interpreting the attitude of the Government as mere weakness, knowing the orator groups whose support was a key to success among the Samoans, the leaders of the agitation—the *Mau* or “opinion” as it was called—had succeeded within a year in paralysing the administration of the mandated territory. Indeed a rival organization to the Government, without precise functions or formal supervision from above, but with committees in the districts and villages, representatives at headquarters, and regular taxation, was developed; and though it was only among the Europeanized leaders and their immediate supporters that anything in the nature of a programme existed, they appear to have taken as their watchword “Samoa for the Samoans.” In January 1928, after bitter opposition from the New Zealand Labour Party, Nelson and two other leaders were deported: the result, however, was merely that the leadership of the *Mau* was transferred to Auckland, where considerable local support was enlisted, and that in Samoa the movement gradually drifted into more extreme courses. Changes in the personnel of administration both in New Zealand and in Samoa were hailed as a success for the *Mau*; and in 1929 the Administration had to admit at least temporary



failure, in spite of the general support that its policy had received from the Mandates Commission itself. The Fono of Faipules, district councils and village committees, and the native judgeships, were allowed to lapse ; and picked white non-commissioned officers of the recently recruited Samoan Constabulary were to act as district officers, with a Samoan adviser, usually the former Faipule of the district.

At the end of 1929 a new phase of the Mau began. There was rioting, with some loss of life. Parties were landed from New Zealand warships to support the police, and the Mau was declared a seditious organization. In March 1930 a conference between the Minister of External Affairs, the Administrator, and leaders of the Mau resulted in the surrender of certain wanted men and the dispersal of the Mau to their homes. The advent of economic depression had a sobering effect, although in the purely economic field it further weakened the new disciplines which it had been sought to impose on the Samoans. The Mau organization having been dispersed, the movement became more passive, more mystical, and less political, although in one important direction, the development of a women's Mau under part-Samoan leadership, its possibilities were revealed anew. The Administration has perhaps won back a little lost ground, but not much. Mr. Nelson, after his first deportation, returned to Samoa, but it was found necessary to banish him again on the ground that he had at once resumed political agitation. The Fono of Faipules was restored in October 1930, without the new powers conferred in 1923, but the effort to enlist Mau co-operation in the choice of Faipules has not been successful. Nor has the nomination of two leading Samoan chiefs on the Legislative Council been productive of much result. The local administration of justice in Mau and even in loyal communities has largely fallen back into the hands of heads of families and village councils of the traditional type. There has been a great set back in health

work, and the medical tax has had to be replaced once again by a fee system, though it seems that the native medical practitioners, trained in Fiji, and native nurses are slowly winning back the confidence of the Samoans. Owing to the influence of the missions—the London Missionary Society is largely in Samoan hands—the Mau interfered less with education, but the task is so immense that progress must in any case have been slow. It is by no means certain that education so far has not been more productive of discontent with the old ways than of knowledge of the new. Even the most advanced of the Government schools only brings its pupils to the level of the New Zealand proficiency certificate at the age of 18-24, though this retardation appears to be diminishing.

The present outlook in Samoa is obscure. With the immense world production of tropical products, the prospects of plantations in Samoa, with their high transport costs and relatively high labour costs, appear to be gloomy. The economic prospects for the Samoans themselves have, as already pointed out, been clouded by political and psychological reaction as well as by economic depression. This must inevitably affect the possibilities of progress in other fields. Yet the process of change cannot be stopped. A number of the highest chiefs and educated young people are deeply imbued with the ideas of Western commercial economy, sometimes for good, sometimes not. The cinema is one standing proof that young Samoa cannot be cut off from the outside world. Conservatism is still marked, but the old ceremonial titles, the old customs of land tenure, the old economic standards are slowly being modified. The Mau itself cannot be dismissed as pure reaction, being indeed a sign of cultural transition. It signifies not so much that Samoa will not move with the times as that it wishes to move at its own pace. The most striking sign of transition, next to the Mau, is the increase of mixed blood—not so much now through

intercourse between Europeans and Samoans as through natural increase of the mixed community itself and through return of members of it to Samoan village life. Though there are groups which have security and status in the European and in the Samoan community the majority are uneasily poised between the two. Their understanding of both worlds and the lack of an economic outlet—for they are not treated as natives in the all-important matter of land—have made many of them effective leaders and organizers in the Mau. But there is said to be increasing discrimination against them in European and even in native society, and the Administration has set itself against their employment in the civil service. The assumption has apparently been that their interests and those of the Samoans differ, and in the short run that may be so : but in the long run, seeing that the main problem is to accommodate Samoan society to the world society of which it forms part, New Zealand's own experience suggests that the part-Samoans may help in its solution.

New Zealand is doubtless more conscious now than in 1920 of the difficulty of guiding the changing life of the Samoan islanders. There has been abundance of good will and a commendable measure of perseverance in the face of great discouragement ; but public interest has been too much a matter of partisanship in times of crisis and not enough of sustained and sympathetic study. In one respect particularly there has been lack of imagination. No attempt has been made to recruit and train a special civil service for Samoa. On the contrary, early in 1929, a Civil Service Commission reported, after pointing out certain deficiencies in the service as then constituted, that the Samoan service should be treated as a part of the public service of New Zealand, and that in general officials should only remain there two years. There could hardly be a more marked contrast with the practice in the British and other colonial services or a better way of discouraging young men from

making New Zealand's mission in Samoa their own. The history of British colonial administration surely provides ground for thinking that an efficient and devoted civil service can be developed in small tropical communities; and it ought to be remembered that officials who have only a brief and necessarily superficial knowledge of the native environment will at many points really be dependent on those who have greater knowledge. New Zealand has in her own Maori people, in the Cook Islands, and in Samoa the materials within her territories for a comparative study of the problems and culture of Polynesian peoples. Is it possible that she will continue to ignore her opportunities for training a school of native administrators, teachers, and researchers and to govern mainly by rule of thumb?

New Zealand's interest in Pacific affairs does not stop short at the islands. The Pacific is her avenue of approach to the outside world. There has long been a direct mail steamer connection with Canada, and up to 1930 trade, particularly in motor vehicles and accessories on the Canadian and in butter on the New Zealand side, was tending to increase. Then a Canadian general election turned, in part, upon New Zealand butter, and the favourable terms that it enjoyed were taken away by the new Canadian Government.<sup>1</sup> The tariff conflict which ensued was patched up in 1932 and there has been some improvement in trade, but there is no sign of the pre-1930 level being reached. In any case relations with the sister community of Canada have hardly been as significant for New Zealand as relations with the Far East and with the United States.

The Chinese were the first foreigners to come in any numbers to New Zealand. Some thousands of them came to work on the goldfields. Since then New Zealand has been conscious—at times too acutely conscious—that China is a Pacific community like

<sup>1</sup> The Hawley-Smoot (U.S.) tariff on milk and cream had effects on the Canadian dairy industry which aggravated the situation.

herself; and with the Russo-Japanese war Japan also came into the picture. Asiatic immigration has been restricted since 1881; and the restrictions were tightened when Seddon, with his goldfields associations, was Prime Minister. In the early years of this century there was a rather vague fear of the yellow races; and it was Asiatic immigration and anti-Asiatic agitation that led, in 1920, to the introduction of the system of individual permits for all foreign immigrants. The poll-tax which had long been imposed on Chinese was retained. Though New Zealand has no consciousness of "empty spaces" and the public is consequently less sensitive than in Australia, the necessity of a "White New Zealand" is universally taken for granted. But the small Chinese community—according to the latest figures about 2,600, chiefly engaged in market-gardening, greengrocery, and laundrywork—is on friendly enough terms with the people generally. It would be going too far to say that the questions of migration and defence have lost their importance in the public view; but there has been an increasing tendency to think of the East as a field for peaceful trade. The Dutch East Indies have largely replaced Fiji as a source of supply of sugar, and are also a source of motor spirit; Japan rivals the United Kingdom as a source of silk piece-goods, and though it has never regained in other manufactures the position that it held in 1918-20, the import trade, which amounted to £541,000 in 1933, has on the whole stood up well to the depression. The export trade, with Japan particularly, though still only a small proportion of the total—Japan's was .86 per cent. in 1933—is also pretty clearly tending to increase. A commercial agreement with Japan in 1928, which was in effect an adhesion to the Treaty of Commerce and Navigation between Japan and Great Britain, was not followed by the anticipated increase in exports of butter: wool remains easily the most important export. In her competition with Australia

in this and other commodities, New Zealand is handicapped by the lack of direct shipping facilities. In any case, even if the possibilities of trade with the East in the immediate future have sometimes been overrated, there can be no doubt of the new interest with which the problems of the Far East have been followed since the Great War. The most significant development has been the activity of the Institute of Pacific Relations, which, although no doubt confined to that section of the people—not a large section—who think seriously about external affairs, has sent delegates to many unofficial international conferences and should do much to develop a really informed opinion. New Zealand will always be at a disadvantage with Great Britain, and indeed with Australia, in the matter of contacts with the Far East, but there is some reason to believe that she is—as she should be—beginning to think for herself.

The United States is also a Pacific country and contact with it is closer than with any other foreign State. It is second to the United Kingdom as a source of imports. New Zealand is still dependent on it for motor spirit, though not nearly so much as formerly for motor vehicles and accessories. It is third, and has often been second, as a market for exports, being particularly important to certain subsidiary products such as skins, hides, and sausage-casings. It subsidizes shipping services to New Zealand ports, thereby setting New Zealand and Australia one of their most difficult and urgent problems in international relations. Its export of ideas has been more considerable than New Zealanders themselves realize: the prohibition movement and the Labour movement before the war, the education system through the junior high schools, the business world through "rotary," the whole of social life through the cinema have been influenced by American ideas. American foundations have made generous benefactions of one kind and another to education. Yet the resistance to Americanization is at least as

strong as in Great Britain itself, and in some respects—for instance in the methods of the Press—New Zealand has been less influenced by America than has Great Britain. There is no reason to anticipate that the influence of the United States, much less of any other foreign country, is likely to weaken the special social, political, economic and financial ties which bind New Zealand to Great Britain. So far as it has gone, American influence has probably done good in making New Zealand more conscious of the changes that are going on in the world and of the fact that the world does not simply mean the British Empire.

When, after the war, New Zealand became a State-member of the League of Nations, there was only one fact in its history that entitled it to membership—the fact that it had played a nation's part in the war. It was quite content to leave its foreign relationships in Great Britain's charge: such direct contacts as it had with foreign countries were with the countries of the Pacific, and with the United States more particularly, and the League was after all primarily called into being to "redress the balance" of Europe. Some influential public men held that all representations to the League should be made through Great Britain. Massey did not adopt this course, but he confessed that he did not like the separate membership arrangement, as being likely to encourage disintegrating tendencies in the Empire. The result was that Ministers made no attempt to educate the public mind on the work of the League, and the guess may be hazarded that they did not even always read the reports of the High Commissioner in London on his work as delegate to the League Assembly. "Uneasiness about the possible consequences of the Dominions' admission to the League might be a good reason for staying out of it," *The Round Table* remarked in December 1922, "but it cannot justify entering the League and discharging its obligations in a half-hearted manner." In that year a Dominion League of Nations Union was formed, but it is

significant that its principal organizers were recent arrivals from Great Britain and that New Zealand opinion was inclined to look upon it as an organization of pacifist cranks. It was not until members of the Government and former High Commissioners who had acted as delegates at Geneva testified to the value of the League's work that the impression that the League was a sort of rival organization to the British Empire began to lose ground. Even now, when the British Empire is the main bulwark of the League as a world organization, the prejudice is probably still widespread. The Dominion has scarcely ever sent a delegate to the conference of the International Labour Office or ratified any of its conventions, though it might be supposed that the work of the office in diffusing information and in seeking to level up standards of living throughout the world would appeal to an isolated country striving to maintain its high standard of living. Only very occasionally has the Dominion sent a direct delegate to League Assemblies or League Conferences. The ill-starred World Economic Conference of 1933, which the Prime Minister and one of his Cabinet colleagues attended, was the exception that proves the rule. There has perhaps been a slight change of attitude in recent years. The development of affairs in Samoa probably made the Dominion, in spite of its perplexity, more keenly aware of the meaning of the obligations of the Covenant. The efforts of the League to act as a stabilizing force in a dangerously unstable world have won some appreciation: even if the British Empire is also a stabilizing force it is recognized that two are not too many. A survey of the New Zealand Press at the time of the Manchurian crisis showed "a loyal and encouraging advocacy of the League's importance and responsibilities and a genuine and tolerant appreciation of its difficulties." But the idea prevalent in some Dominions that the League and the British Empire will stand or fall together would not win acceptance in New Zealand.



The contact of the Government with world affairs is, as has already been said, maintained chiefly through the Imperial Government and the information that it sends to New Zealand. In general it is not the practice to keep the High Commissioner in London informed of these communications. In League affairs, however, there is direct communication between the New Zealand Government and the Secretary-General, and the High Commissioner usually represents New Zealand at meetings of the League Assembly and the Mandates Commission. This procedure in the case of a small and remote country is natural enough. But New Zealand has shown scant favour to suggestions that the diplomatic functions of the High Commissioner should be more formally recognized and his status improved. The office is usually filled by men of standing at the end of an active political career; and it is argued that they cannot keep in touch with currents of opinion in New Zealand. Perhaps there is a lingering suspicion that their democratic palates may be dulled by the hospitality of English society. They act for the Government, when so instructed, in important negotiations, but they have no general diplomatic powers. The Prime Minister in 1928 announced that a Liaison Officer to the High Commissioner would be appointed from the New Zealand Civil Service to enable him to keep in closer touch with the Foreign Office and other State Departments; but no such appointment has been made. It seems as if the Government looked upon the absence of an informed public opinion as justifying inaction in such matters.

An informed public opinion—the argument inevitably returns to that point. The Press, it is fair to say, does its best; and undoubtedly—and largely for this reason—it is more influential in external than in internal affairs. It is honest, and much less sensational in its methods than the “popular Press” of England or America; and the leading articles of

the dailies in the chief towns are often ably written. But the Press has necessarily much more limited sources of information than in Great Britain. It depends in these matters almost entirely upon the news service of a combined agency which is linked up by agreement with certain leading Australian papers and with Reuters and derives its news direct from joint representatives in London. At times, for instance at Imperial Conferences, this predominantly Australian service has marked disadvantages. The united news service, though inevitable for reasons of expense, limits the scope for individuality of outlook, and the limitation of material for a really independent judgment hampers even the abler writers. So far as the readers of the newspapers are concerned it is only on a few great issues that they have sufficiently full and continuous news to be able in any sense to follow events. If world affairs are left in the keeping of Great Britain with a confidence merging into indifference, it is partly because even the better informed realize the limitations that remoteness places upon their knowledge. But this is not a state of affairs with which a responsible democratic government ought to rest content. Democracy may have too much of the artificial glare of manufactured "publicity"; but it can never have too much of the natural light of knowledge. The eagerness for knowledge on the part of thinking men and women in New Zealand is evident to anyone coming into the country. Possibly the recent foundation of an Institute of International Affairs may do something to satisfy those who feel the need, and to arouse a need in those who do not feel it.

There could be no worse service to New Zealand to-day than to let it drift into apathy and self-sufficiency. The time when it could look back with some satisfaction upon its achievements in social legislation and in the levelling of economic inequalities is past. The economic depression has raised serious doubts as to how far it can hold the ground it

has won: the marketing crisis which has been brought to a head by the depression has shown it that undue dependence upon a single country, even the Mother Country, may be dangerous. Yet escape from such dependence will be a slow and difficult process, especially in that chaos of "planned" nationalisms which is making havoc of world trade; and escape through the intensification of economic nationalism in New Zealand would be a passage from the frying-pan into the fire. Fortunately there is reason to hope that common sense will prevail: so far at least New Zealand has had too much common sense, and too much Imperial sentiment, to erect nationalism into a dogma.

It is the Imperial connection that keeps New Zealand in the stream of the world's affairs. It may not maintain itself quite so automatically as hitherto. Social ties may weaken as the generations pass, and even though communications may improve and facilitate the intercourse of statesmen and officials and business leaders with the outside world, ordinary men have neither the time nor the money to "annihilate" eleven thousand miles. Conscious effort and thought may, however, do much to keep the connection close, while they may make New Zealand less of a mere echo of Great Britain and more of a voice in an Imperial chorus. It is probable that the small minority who take an active interest in Imperial affairs, usually men in close touch with Great Britain, are a little more conservative than the mass of the people; and as interest in Imperial questions extends—and present and future economic issues are likely to extend it—New Zealanders will probably find that they are more nationalistic, more independent-minded than they supposed. But even if friction should develop on economic and possibly on financial questions, there is ample store of good will with which to grease the wheels of policy. New Zealand may differ more from the Mother Country but a real departure from her traditions of loyalty and support

is inconceivable. Nor need she be ashamed of her loyalty. For what the world needs to-day is a limitation of nationalism, which, if unchecked, will wreck the world ; and such a check New Zealand, with other Dominions, may find in loyalty to her kith and kin beyond the seas—loyalty to be defined not in terms of legal bonds or economic interests alone but in terms also of moral obligations.

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# INDEX

## A

- Adams, Arthur H., 292  
 Advances to Settlers; *see* State advances  
 Afforestation; *see* Forest Policy  
 Agriculture, Department of, 73, 85,  
 135, 138-40, 243-4, 260  
 — Executive Commission of, 155,  
 260-1  
 Anzac; *see* Gallipoli  
 Apia, 345, 348  
 Arbitration Court, 75-6, 85, 89, 91-2,  
 106, 107, 179, 180-2, 191, 260;  
*see also* Industrial Conciliation and  
 Arbitration Act  
 Atkinson, Sir Harry, 59, 60, 61-2, 63,  
 66, 67-8, 80, 158  
 Auckland, as seat of Government, 19,  
 22, 27, 28, 40, 42-3, 55  
 — City of, 66, 96, 101, 102, 165, 166,  
 171, 221, 282-3, 296, 326  
 — Province of, 35, 42-3, 45, 49, 51, 56,  
 57, 97, 128, 129-30, 131-2,  
 141, 164, 213, 217  
 Auckland, North, 128, 161-2, 187, 307,  
 313-4, 315; *see also* Bay of Islands  
 Australia, 3, 19, 33, 66, 67, 78, 86-7,  
 138-40, 154, 159, 160, 162, 176, 193,  
 195, 204, 205, 217, 230, 266, 336,  
 342-3, 254, 355, 359

## B

- Ballance, John, 59, 62, 63, 69, 72, 73,  
 74, 75, 77-8, 84, 87  
 Bank of New Zealand, 41, 78, 79, 89,  
 193-4  
 Banking Policy, 65, 78-9, 143-5,  
 193-8, 206-10, 214, 230  
 Banks Peninsula, 12-3, 25  
 Baughan, B. E., 292  
 Bay of Islands, 7, 9, 10, 11, 12  
 Bay of Plenty, 128, 307, 311  
 Beef, Chilled, 137-8  
 Belshaw, Professor H., quoted, 118,  
 145, 148-9  
 Biscuit and Confectionery Industry,  
 170-1  
 Bledisloe, Lady, 323, 324  
 Bledisloe, Lord, 138, 324  
 Boer War, 88, 339  
 Boot and Shoe Industry, 67, 85, 169-70

- Borrowing by Provincial Govern-  
 ments, 34, 41, 44, 45, 55  
 — by Local Bodies, 200-1, 209, 237  
 — by the Government of New Zealand,  
 35, 41, 51-4, 60, 62, 78, 86, 93,  
 107, 199, 200-3, 206-7, 211-4,  
 334, 335 *see also* Money Market  
 Broadcasting, 245, 289, 296  
 Browne, (Sir) T. Gore, 36-7, 39  
 Buchanan, R. O., quoted, 83, 117  
 Building Industry, 158, 159, 165-6,  
 185, 187, 188, 202  
 — Societies, 192, 261  
 Busby, James, 11  
 Butler, Samuel, 33, 290-1  
 Butter, 65, 83, 97, 106, 127, 129-30,  
 132-7, 138, 145, 152, 153-4, 160,  
 165, 208, 353, 354

## C

- Cameron, Lieut.-General Sir Duncan,  
 42, 44  
 Canada, 137, 159, 252, 270, 333, 336,  
 353  
 Canterbury, 25, 33, 41, 46, 51, 54, 55,  
 58, 119, 138-9, 150, 282-3  
 Canterbury Lamb, 121; *see also*  
 Frozen Meat  
 Carnegie Foundation, 286  
 Carroll, Sir James, 304, 325  
 Chamberlain, Joseph, 88  
 Chamier, George, 291  
 Chanak, 328, 340  
 Cheese, 97, 106, 127, 129, 132-7, 145,  
 152, 155, 165  
 Child Welfare, 263-5, 347  
 China, 346, 353  
 Christchurch, 66, 128, 165, 171, 237,  
 282, 295  
 Church of England, 25, 269, 270, 271,  
 277, 321  
 —, Methodist, etc.; *see* Methodist  
 Church  
 — Missionary Society, 8, 13-4  
 Civil Service, 99, 180, 181, 203, 233-6,  
 240, 285, 287, 352  
 Clothing Industry, 169  
 Coal Mining, 61, 89, 92, 101, 102, 106,  
 163-4, 179, 258  
 Coates, Right Hon. J. G., 196, 209-10,  
 223, 329  
 Cockayne, Leonard, 297

- Colonial Office, 13, 14, 21, 28, 29, 31, 339  
 Compact of 1856, 34-5, 57  
 Condliffe, J. B., quoted, 60, 75, 119, 134, 142, 194, 263  
 Constitution Act, of 1846, 27-8  
 —, of 1852, 29-30, 34-5, 36, 216  
 Conversion of Debt, 205, 209, 210, 213, 231  
 Cook, Captain James, 5, 6, 16  
 Cook Islands, 344, 353  
 Co-operative Dairy Factories, 132-4, 145, 146, 147-8, 155, 308  
 Country Quota, 97, 217-8  
 County Council System, 46, 58, 237-8  
 Credit, Rural; *see* Finance, Rural  
 Currency, 26, 194-8  
 —, Depreciation of; *see* Exchange, Rate of  
 Customs Tariff, 26, 35, 43-4, 62, 66, 67-8, 79, 140, 160, 161, 165, 167, 169, 170, 171-5, 176, 203, 353

## D

- Dairy Board, 133, 135-7, 155, 260-1  
 — Farming, 54, 83, 84, 97, 181-9, 127-32, 145-8, 151-6, 308, 312, 314-5  
 — Industry Commission, 151, 155  
 Defence Policy, 93, 102-3, 105, 106, 330-3, 339, 343  
 Democracy, Rise of, in New Zealand, 17-8, 49, 58-9, 68, 70-1, 73, 81-3, 108, 212-4, Chapters XI-XIII, XV, *passim*  
 Denmark, 80, 117, 133, 137, 138, 153-4, 208  
 Discharged Soldiers, Settlement of, 111-2, 142, 143, 149  
 Dobson, Alfred, 290  
 Duggan, Eileen, 294  
 Dunedin, 66, 101, 102, 165, 168, 171, 249, 271, 282, 326  
 Durham, Lord, 13, 26  
 Dutch East Indies, 4, 254

## E

- Education Act, 1877, 59, 61, 272, 273  
 — Department, 264, 273-5, 276, 280, 281-2, 288, 318, 319  
 —, Intermediate, 278-9, 281  
 —, Native, 300, 318-9, 347  
 —, Primary, 273-5, 289-80  
 —, Secondary, 90, 275-9, 280-2  
 —, Technical, 90, 276, 279  
 Electric Power, 97, 164, 167-8, 200, 202, 211, 237, 254-5

- Employers' Associations, 75, 85, 181, 182-3  
 Exchange, Rate of, with Sterling, 54, 195, 204, 205, 206-9

## F

- Factory Acts, 72, 75, 88  
 Farmers' Union, 146, 227, 330  
 Featherston, I. E., 38  
 Federation, Australian, 87, 342  
 —, Imperial, 87-8, 327, 339  
 Fiji, 344, 351, 354  
 Finance, 22, 34, 41, 43-4, 45, 51-7, 60, 62, 72, 77-9, 80-1, 82, 86, 107, 192-214, 266-7  
 —, Provincial, 34, 41, 51, 56-7  
 —, Railway, 201, 203, 247-50  
 —, Rural, 97, 111, 142-51, 155, 192, 241-3  
 —, Unemployment, 186, 204-5, 210, 211  
 Findlay, Sir J. G., 90  
 Fitzherbert, (Sir) William, 45  
 Fitz Roy, Captain Robert, 21-2, 27  
 Flax, New Zealand, 6-7, 8, 9, 10, 162-3, 184, 308  
 Football, Rugby, 298, 299, 323  
 Forbes, Right Hon. G. W., 223, 316, 340, 357  
 Forest Policy, 55, 84, 96, 158-9, 186, 187  
 Fox, William, 29, 31-2, 38, 39-40, 44, 47, 51, 55  
 France, Interest of, in New Zealand, 5, 6, 7, 12-3, 16  
 Franchise, Electoral, 29, 62, 216, 217  
 —, Women's, 74-5  
 Free Church of Scotland; *see* Presbyterian Church  
 Freehold, Agitation for, 91, 98, 99  
 Frozen Meat, 64-5, 83, 106, 121, 125-7, 137-8, 151, 152, 153, 165, 176, 181, 203  
 Fruit Farming, 140-1

## G

- Gallipoli, 104, 112, 330  
 George, Henry, 71  
 Germany, 344, 345, 346  
 —, War with, 102-12, 330  
 Gipps, Sir George, Governor of New South Wales, 20  
 Gold Discoveries in Australia, 25, 39, 86  
 — in New Zealand, 39, 41, 42, 46, 49, 51, 53, 55, 61, 66, 74, 82, 353

Gold Mining, Revivals of, 85, 100, 163, 187, 188

Government Life Insurance; *see* Insurance

Grass Farming, 61, 68, 97, 117, 118, 120-3, 130-2, 146, 151-3, 244

Grey, Sir George, Policy of, as Governor, 1845-53, 22-3, 24, 27-9, 30, 32, 34, 36, 309, 343-4

—, as Governor, 1861-68, 39-40, 42, 43, 44, 59

—, as political leader, 56, 59, 62, 74, 87, 302, 344

Grossmann, Edith Searle, 292

Guthrie-Smith, H., quoted, 64, 122-3

## H

Hall, Sir John, 59, 61, 68, 75

Hauhausism, 44, 321

Hawke's Bay, 35, 46, 57, 97, 122, 128, 141, 311

Health, Department of, 80, 260, 262, 305, 320

Hides; *see* Pelts

Hobson, Captain William, 15, 19, 20

Hogben, George, 90

Hongi, 9, 10, 14

Hospitals, 63, 237, 262-3

— State Maternity, 90, 263

Housing, 90, 111, 186, 261

## I

Immigration, 11-3, 17-9, 25, 34, 49, 52, 55, 66, 268, 336-7, 338

—, Asiatic, 87, 339, 353-4

Imperial Conferences, 113, 327, 339, 341-2

— Government, Policy of, in Native Affairs, 38-40, 41, 42, 43, 339

— Preference, 172-4, 333-6, 339

Income Tax, 72, 106, 107, 200, 203, 211, 256

Industrial Conciliation and Arbitration Act, 75-6, 79, 85, 88-9, 91-2, 100-2, 178-83

Insurance Companies, 89, 143, 192, 257-8

—, Government Accident, 89, 258

—, Government Life, 71, 257

—, State Fire, 89, 257-8

Iron, 164, 165

## J

Japan, 124, 354

## K

Kauri, 159

— Gum, 161-2, 179, 184, 308, 313

Keessing, Dr. F. M., quoted, 319, 326, 348

King Country, 302, 307; *see also* Maori King Movement

King, Sir F. Truby, 264, 320

Kingi, Wiremu (Te Rangitake), 36, 38

## L

Labour, Alliance of, 107, 183, 227

—, Department of, 73, 85-6, 186, 260

—, Legislation, 66-7, 72, 73, 79, 86

—, Party, Rise of, 91, 93, 100, 107, 228, 221, 222, 223, 232, 238

—, Organization of, 228-9

—, Policy of, 196, 213, 222-3, 229-31, 236, 267, 336, 340, 349

Land Booms, 54, 55, 61, 98, 111-2, 143, 146, 148-9, 181

—, Policy, 29-30, 34-5, 43, 54, 58, 63, 76-8, 86, 91, 96-9, 111-2, 113-4

—, Tax, 62, 72, 77, 84, 91, 99, 106, 107, 200, 211, 256

Land for Settlements Act, 72, 77, 84, 91, 240-3

Lands and Survey, Department of, 142, 240-3

League of Nations, 112-3, 327, 328, 333, 341-2, 349, 356-7, 358

Legal Profession, 256-7, 329

Legislative Council, 30, 48, 72-3, 76, 79, 81, 216-7

Liberal Party, 59, 67, 69-94, 96, 97, 99, 108-9, 220-5

Liquor Prohibition Movement, 80, 109-10, 227, 271-2, 346, 355

Local Government, 236-8, 240, 262-3; *see also* Borrowing; County Council System; Municipal Government

Locarno, Treaty of, 329

London Missionary Society, 345, 351

Low, David, 295

Lyttelton, 25, 101

## M

Macandrew, James, 53, 58, 59

McKenzie, (Sir) John, 70, 76-7, 81, 84, 96

Mackenzie, (Sir) Thomas, 94, 99

McLean, Sir Donald, 36, 46-7, 51, 301

Macquarie, Lachlan, Governor of New South Wales, 9

- Manawatu, 122, 128  
 Mander, Jane, 293  
 Maning, F. E., 9-10, 291  
 Mansfield, Katherine, 292-3  
 Maori, 3, 4, 5, 6, 12, 161  
 —, Trade with, 8, 9, 11, 19  
 —, Missions to, 8, 10, 13-4, 15, 16, 44, 318, 321, 322  
 —, Relations of, with Europeans, 26-7, 28, 36-48, 59, 62, 299-326  
 —, King Movement, 37-8, 39, 40, 302, 312  
 —, Land Boards, 304, 306, 307, 309, 315  
 —, Lands, 15, 20-3, 25, 27, 34, 36-8, 40, 41, 53, 84, 300, 301-17  
 —, Confiscation of, 41-3, 309, 312  
 —, Wars, Inter-tribal, 9-10  
 —, with Europeans, 22, 38-48, 299-300, 309, 339  
 Marketing Problem, 113-4, 124-5, 126-7, 177, 189  
 Marlborough, 35, 57, 119  
 Marsden, Samuel, 8-9, 10, 11, 15  
 Martin, Sir William, 38  
 Massey, W. F., 94, 95-6, 98, 101, 108, 216, 222, 225, 226, 238, 327-8, 336, 339, 340; 341, 342, 356  
 Mau Movement in Samoa, 349-52  
 Meat Producers' Board, 126-7, 138  
 Medical Profession, 262-4, 287  
 Methodist Church, 14, 270, 271, 321-322  
 Millar, J. A., 94  
 Mixed Farming, 83, 121-3, 143-5, 148  
 Money Market, London, 41, 52, 62, 78, 86, 107, 194-6, 200, 203, 206-7, 214, 334  
 Moorhouse, W. H. S., 34  
 Mortgage System, 77, 132, 141, 142-51, 185, 202, 241-3  
 Mortgagors' Relief Acts, 150-1  
 Motor Omnibus, Motor Transport, etc.; *see* Road Transport  
 Mulgan, Alan, 294, 295  
 Municipal Government, 27, 28, 236-7

## N

- Napier, 124, 249  
 Napier Earthquake, 166, 314  
 National Expenditure Commission, 205-6, 212, 241, 263, 315-6  
 National Mortgage Corporation, 151, 210, 243, 261  
 National Provident Fund, 90, 265  
 Native Affairs Commission, 312, 313, 315, 316

- Native Department, 299, 310-1, 316, 319  
 —, Land Court, 301, 306, 307, 310  
 —, Land Development, 309-17; *see also* Maori Lands  
 —, Trustee, 307-8, 309  
 Naval Supremacy, British, 6, 103, 104, 113, 330-3  
 Nelson, 19, 21, 23, 24, 141, 158, 164, 272, 295  
 Nelson, O. F., 348, 349, 350  
 New Hebrides, 344  
 New Plymouth, 19, 22, 23, 24, 44  
 New Provinces Act, 1858, 35, 57  
 New South Wales, 6, 7, 8, 11, 16, 18, 165  
 New Zealand Company, of 1825, 10, 13  
 —, of 1839, 13-5, 17-22, 23, 24, 25, 31, 35  
 —, Co-operative Dairy Company, 133-4, 135, 136, 147  
 —, Legion, 231-2  
 —, Loan and Mercantile Agency Company, 65, 144  
 Ngata, Sir Apirana, 305, 306-7, 309, 310-1, 312, 316-7, 323, 324  
 Ngatiporon, 305, 306, 308; 316  
 Niemeyer, Sir Otto, 195-6

## O

- Oats, 121, 122, 138  
 Otago, 25, 33, 35, 39, 41, 43, 49, 51, 52, 53, 54, 55, 56, 58, 97, 119, 121-2, 128, 129, 138, 140, 141, 164, 272, 282-3  
 Ottawa Conference, 153, 172-3, 335

## P

- Pakington, Sir John, 29  
 Palmerston North, 84, 283; *see also* Manawatu  
 Party System, 35, 44, 56-7, 58-9, 67-71, 85, 91, 93-9, 108-9, 220-33  
 Pastoral Lands, Tenure of, 24, 33, 58, 61, 76-7, 83-5, 99, 120-1, 123, 132, 142, 241  
 Patea, 44, 46  
 Peace Treaties, 112, 327  
 Peel, Sir Robert, 27  
 Pelts, 65, 125, 343, 355  
 Pensions, Old Age, 80-1, 90, 261-2  
 Pigs, 138  
 Pomare, Sir Maui, 305; 320  
 Post Office, 192, 205, 233, 245  
 Printing and Publishing Industry, 166

Privy Council, Judicial Committee of, 329  
 Provincial System, 26-7, 28, 29, 32, 34-6, 45, 46, 53, 55-8, 216  
 Pre-emptive Right of the Crown over Maori Lands, 15, 21, 300-1, 303  
 Presbyterian Church, 25, 269, 270-1, 277  
 Press, 342, 343, 356, 358-9  
 Prime Minister, Position of, 226-8  
 Public Trust Office, 71, 142, 146-7, 192, 255-7, 261, 265  
 — Works Department, 73-4, 244-5, 247, 251, 254-5; *see also* Borrowing by the Government of New Zealand

## Q

Queen Charlotte Sound, 6, 12  
 Quotas, 153-6, 335

## R

Rabbits, 65, 120, 125, 238  
 Railways, 52, 53-4, 55, 57, 60, 71, 89, 99, 111, 167, 177, 200, 201, 202, 211, 233, 246-50, 251, 252-4  
 —, Main Trunk, North Island, 96, 161, 313  
 —, South Island, 249  
 Ratana, T. W., 321-2  
 Reeves, William Pember, 69-70, 73, 75-6, 79, 85, 292  
 — — —, quoted, 8, 37, 72, 75, 76, 79, 81, 96  
 Reform Party, 95, 98, 220-5  
 Repurchase of Land; *see* Land for Settlements Act  
 Reserve Bank, 194-8  
 Responsible Government, 30, 32, 36-7, 39-40  
 Richmond, C. W., 37  
 Roads, Construction of, 40, 52, 53, 97, 111, 133, 185, 187, 200, 201, 251, 308, 309  
 Road Transport, 129, 133, 177, 222, 250-4  
 Rolleston, William, 68  
 Roman Catholic Church, 12, 269, 270, 271, 324  
 — — Schools, 271, 275, 277  
 Rotorua, 9, 304, 311, 323  
 Round Table, quoted, 88, 110, 111, 342, 356  
 Royal New Zealand Society for the Health of Women and Children, 264-5

Royal Society of New Zealand, 297  
 Rural Intermediate Credit, 146-7, 149, 222, 243  
 Russell, Lord John, 29  
 Rutherford, Lord, 297

## S

Samoa, 104, 113, 344, 345-53, 357  
 Sausage Casings, 125, 355  
 Saw Milling; *see* Timber  
 Scanlan, Nelle, 293-4  
 School Dental Service, 264  
 — Medical Service, 263-4  
 Scientific and Industrial Research, Department of, 139  
 Sealing, 6-8  
 Seddon, R. J., 70, 74, 78-83, 85, 86, 87, 88, 89, 90, 95, 96, 219, 226, 227, 235, 258, 339, 344, 354  
 Separation of the Islands, Movement for, 39, 42-3, 45, 49, 56  
 Selwyn, Bishop, 37, 38, 343  
 Shearing, 117, 123-4, 179, 181  
 Sheep Farming; *see* Wool; Mixed Farming  
 — Flocks, 24, 33-4, 49, 61, 97, 122  
 Shops Act, 72, 75, 79  
 Siegfried, André, quoted, 69, 87, 289  
 Singapore Base, 331, 332, 340  
 Small Farms Plan, 187-8  
 Southland, 35, 57, 97, 121-2, 128, 129, 164  
 Stafford, (Sir) E. W., 34, 39, 44, 45, 46, 47  
 State Advances System, 77-8, 79, 142, 146, 192, 241-3, 261, 265, 307  
 — Socialism, 69, 70-1, 73, 74, 80, 89, 92, 108, 197, 199, 222, 240-67  
 Stewart, Hon. W. Downie, 201, 205, 207, 223, 228, 248, 257  
 Stewart Island, 10, 15  
 Stock and Station Agencies, 65, 125, 126, 135, 143-5, 147, 148, 150  
 Stout, (Sir) Robert, 59, 63, 74, 79, 80, 81, 305, 309, 344  
 Strikes, 67, 92, 100-2, 106, 178, 180  
 Sugar, 106, 171, 207, 354  
 Superannuation Funds, 90, 205, 206, 212  
 Superintendents of Provinces, 29, 34, 38, 46, 53, 58  
 Sydney, 11-12, 20, 289

## T

Tahiti, 5, 6, 344  
 Tamihana, Wiremu (Te Wāhāroa), 37-8

Taranaki, 36, 37, 38-9, 40, 44, 46, 57, 60, 84, 97, 128, 129, 145, 146, 164, 315

Tariff; *see* Customs Tariff

Tasman, Abel Janssen, 4, 6

Tauranga, 41

Teaching Service, 233, 273-4, 276, 278, 280-1, 341

Te Aute College 319-20

Te Kooti, 46-7

Te Puea Herangi, 312-3

Te Rauparaha, 21, 22

Te Whiti, 62

Thames, 49, 51, 55, 128

Thomson, A S, quoted, 17

Timber, 6-7, 10, 24, 123, 157-61, 165, 166, 184, 308, 311, 343

Titokowaru, 46-7

Tonga, 344

Trade Unions, 67, 70, 75-6, 85, 87, 91-3, 100-2, 106-7, 123-4, 177, 178-80, 183-4, 228-9

Training Colleges, Teachers', 274, 280, 285, 286

Treasury Bills, 194, 196, 205, 206

— Department, 197, 199, 201, 205

Treaty of Versailles, *see* Peace Treaties

Tregear, Edward, 85

## U

Union Steamship Company of New Zealand, 61, 100

United Party; *see* Liberal Party

United States of America, 12, 88, 92, 93, 133, 159, 162, 202, 217, 225, 252, 328, 333, 344, 345, 355-6

Unemployment, 21, 23, 66, 73, 102, 184-91, 202, 204, 212, 231, 236, 244-5, 247, 251, 272, 314, 315, 317, 336

— Tax, *see* Finance, Unemployment

University Colleges; *see* University of New Zealand

— Commission, 284-5, 287

— of New Zealand, 61, 181, 234-5, 271, 282-8, 296, 297, 326, 341

Upper House; *see* Legislative Council

Victoria, 39, 86, 165

Vogel, Sir Julius, 50, 52-9, 60, 62, 63, 65, 68, 82, 86, 158, 219, 226, 339, 344

## W

Wages, Rates of, 23, 67, 92, 106, 107, 118, 178, 179-81, 182-3, 184, 187, 190-1, 203-5, 210, 231, 250

Waihi, 85, 100, 163

Waikato, 9, 37, 39, 40, 41, 128, 130, 312, 313

Wairarapa, 24, 101, 128

Wairau, 21

Waitangi, Treaty of, 15, 16, 20, 21, 26, 36, 324

Waitara, 38, 40

Wakefield, Edward Gibbon, 15, 14, 16, 18

— and Colonial Lands, 13, 17

Wanganui, 19, 44, 84, 124, 295, 304, 314

War, Great, *see* Germany, War with —, Maori, *see* Maori Wars

Ward, Sir Joseph, 78, 79, 81, 90-1, 93, 94, 96, 108, 109, 202, 221-2, 309, 327, 339

Washington Naval Conference, 328

Weld, F A, 29, 42-4

Wellington, City of, 19, 24, 96, 100, 102, 105, 106, 176, 224, 236, 237, 249, 282, 283, 297

—, Province of, 35, 54, 57, 97

— as seat of Government, 42-3, 56

West Coast, *see* Westland

Westland, 46, 49, 51, 55, 70, 74, 89, 92, 128, 158, 161, 163

Westminster, Statute of, 324

Weston Jessie, 292

Whaling, 6-7, 8, 11-12, 18

Wheat, 61, 83, 87, 106, 121, 122, 138-46, 171

Whitaker, (Sir) Frederick, 40, 41, 61, 68

Williams, Henry, 10, 13-14, 15

Wilson Lady, 292

Wool, 24, 33-4, 61, 64, 83, 106, 119-25, 143-4, 148, 151, 176, 203, 354

Woollen Mills 168-9

Workers' Education Association, 288-9

Wynyard, Colonel R. H., 30-1





